Mississippi

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

Comprehensive Annual Financial Report 2011

Mississippi

Fiscal Year Ended June 30, 2011

Department of Finance and Administration
Post Office Box 267
Jackson, MS 39205

Kevin J. Upchurch
Executive Director

This book has been printed on recycled materials.

HALEY BARBOUR
GOVERNOR

STATE OF MISSISSIPPI
OFFICE OF THE GOVERNOR

December 19, 2011

To the Members of the Legislature and Citizens of Mississippi:

As Governor of the State of Mississippi, I present the Comprehensive Annual Financial Report for the year ending June 30, 2011. This report gives an overview of state government fiscal activity and reflects the difficult recessionary period our state and nation have entered.

During my time as Governor, we have successfully balanced the state's budget despite the fact that we had a $720 million budget hole when I took office. Through some difficult decisions about how to spend taxpayer dollars more efficiently, we erased that deficit. We accomplished this even when faced with the worst natural disaster in American history, Hurricane Katrina. The storm could have devastated our economy, but we didn't let that happen. Our people, resilient and determined, immediately went about rebuilding their homes and reopening their businesses.

Now, the nation is slowly emerging from this Great Recession, and Mississippi is committed to leading the recovery. State revenues are showing signs of recovery, though it clearly will be a long, slow road back to financial success. Through prudent, conservative management of tax dollars, we will provide essential services for our citizens while protecting our reputation for responsible fiscal management.

As this report shows, this is not business as usual. We must continue working to move Mississippi forward through smart policies that create jobs and foster economic growth. Despite the current economic conditions, I'm optimistic about our future because I know that with strong leadership and good policies, we can give our children and grandchildren a greater opportunity than my generation ever dreamed.

Sincerely,

Haley Barbour

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Mississippi

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Introduction

STATE OF MISSISSIPPI
DEPARTMENT OF FINANCE AND ADMINISTRATION

KEVIN J. UPCHURCH
EXECUTIVE DIRECTOR

December 19, 2011

To Governor Barbour, Members of the Legislature, and Citizens of the State of Mississippi:

It is my pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Mississippi for the year ended June 30, 2011 as provided in Section 27-104-4, Mississippi Code Annotated (1972). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentations in the financial statements, including all disclosures, rests with the State's management. This report was prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

State managers are responsible for establishing and maintaining internal controls to ensure that adequate accounting data is compiled to allow preparation of financial statements in conformity with GAAP. Because the cost of a control should not exceed the benefits likely to be derived, internal controls have been implemented to provide reasonable, but not absolute, assurance regarding the reliability of the financial statements. I believe the information as presented is complete and accurate in all material respects.

Pursuant to Section 7-7-211(d), Mississippi Code Annotated (1972), the Office of the State Auditor has performed an audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, of the State's basic financial statements. His unqualified opinion is presented as the first page of the financial section of this report. Also, as required by federal law, the State Auditor has undertaken a single audit of the State as a whole, which will include a report on compliance and internal control over compliance on major federal program funds expended by state government. This report, along with the report on internal control over financial reporting and on compliance and other matters, will be published separately.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the auditor's report.

Profile of the Government

Mississippi is named for the Mississippi River, which forms its western boundary and empties into the Gulf of Mexico. The name translated from Native American folklore means “Father of Waters.” Mississippi was organized as a territory in 1798 and was admitted as the 20th State to the Union on December 10, 1817. The State’s constitution separates the legal powers of state government into three distinct branches - the legislative, the executive, and the judicial.

The financial statements present information on the financial position and operations of state government as a single comprehensive reporting entity. The State’s various agencies, commissions, departments and boards that comprise the State’s reporting entity are included in this report in accordance with criteria established by the Governmental Accounting Standards Board (GASB). The State's reporting entity is also comprised of its discretely presented component units for which the State is financially accountable or the State believes is misleading to exclude from the entity due to the organization’s nature and significance of its relationship with the State. The criteria used in defining the State’s reporting entity are fully discussed in Note 1 to the financial statements.

The State provides a full range of services to enhance and protect the lives of its citizenry. These services include, among others, education; health and social services; public safety and justice; recreation and resource development and protection; business regulation; and highway construction and maintenance.

Mississippi state law requires both the Governor and the Legislative Budget Committee to submit an overall balanced budget at the beginning of each annual session for the ensuing fiscal year. The Legislature legally enacts an annual state budget through passage of specific departmental appropriation bills. The Governor has the power to approve or veto each line item appropriation; however, vetoes are subject to legislative override. For the majority of the appropriations, the legal level of budgetary control is at the agency level by activity or function as well as by major expenditure classification. Unexpended appropriations at June 30 are available for subsequent expenditure if they have been encumbered and are presented for payment during the succeeding two-month lapse period.

Factors Affecting Financial Condition

News on the economic front in Mississippi has been gradually, if unevenly, improving. General Fund tax collections are coming in above year-ago levels and payroll employment has been rising. Job gains have been confined to the private sector, however, as fiscal austerity measures result in fewer jobs in the public sector. High levels of uncertainty continue to plague both the state and the nation, so that the baseline forecast numbers presented below could prove to be overly optimistic.

Complicating the State’s recovery from the Great Recession, most counties in the state were declared federal disaster areas in 2011 as a result of tornadoes, severe storms, flooding and drought. Flooding along the Mississippi River and tributaries in the spring broke records set in the 1920s and 1930s. Thousands lost jobs or suffered extensive damage to homes and businesses. Reconstruction near the river, then, is adding to the on-going rebuilding efforts along the Gulf Coast after Hurricane Katrina and last year’s oil spill.

The slow improvement in the state economy is reflected in key economic indicators. In 2010, payroll employment in Mississippi was down 0.6%, while personal income rose 3.1% -- numbers that paralleled national trends. The rate of job growth in 2011 was an estimated 0.5% and the growth rate of gross state product 1%, just below the growth rate of 1.1% in 2010. Personal income rose an estimated 3.5%.

Several major investment projects and post-disaster reconstruction efforts will boost economic activity in the state over the coming years. A $1.3 billion Toyota auto plant began production this fall. The $500 million plant just completed by Schultz Extruded (metallurgical pipes) also went into operation in 2011. A $570 million port upgrade at Gulfport, a $1 billion natural gas pipeline (Spectra Energy and CenterPoint Energy), and a $1.4 billion expansion at Chevron are underway. In addition, two $500 million projects have been announced: one by Stion (thin film solar panels) and the other by KiOR (crude oil from biomass).

State revenue collections this fiscal year have been ahead of year-ago figures. Last fiscal year, FY 2011, transfers to the General Fund were up 3% above FY 2010 levels, and 2.6% above estimate. In the first four months of FY 2012, collections were up 4.3% over the previous fiscal year for the same period, and 3.5% over estimate. Personal income tax collections were 7.7% above year-ago numbers, while sales tax collections were up a more modest 2.1%. Expectations are that revenue estimates will be met; however, state agency budgets will remain tight. The ending of federal stimulus funds is contributing to the budget squeeze.

Over 10,000 jobs were added by the private sector during the first ten months of 2011, for an increase of 1.3% over the same period in 2010. Public sector employment was 1.6% lower, on the other hand, so that overall the net gain in payroll employment was a modest 0.6%.

Employment gains through October were greatest in professional and business services, which employed 7.7% more persons than in the same period in 2010. This was largely due to a 15% jump in administrative support jobs (which includes temporary workers). Mining and logging employment was up 3.5%; health care and social assistance employment, 3.1%; transportation and utilities, 2.4%; retail trade, 1.2%; leisure and hospitality, 1.1%; and information services, 0.8%. Employment in construction and in educational services was unchanged.

Major sectors employing fewer persons in the first ten months of 2011, compared to the same period in 2010, were manufacturing (down 2.3%), government (down 1.6%) and finance (down 0.4%).

Mississippi's housing market remains depressed. While sales of existing homes, housing starts and the value of residential building permits issued have each managed to increase occasionally in recent months, these numbers remain below year-ago levels.

The State's foreclosure rate continues to be lower than the national average. In the third quarter of 2011, the State ranked 24th in the nation in foreclosures with a rate of 3.3%, compared to the national average of 4.4%. This was a slight increase from the second quarter for the state. Housing prices here appear to be bottoming out after a sizeable drop: if the median price of existing homes in the first quarter of 2011 is measured against the spring 2007 value, the drop in value in the state, at 13%, is about half that suffered by the U.S. as a whole (25%).

Coastal counties, which account for about 15% of the State's employment and population, continue to recover from the effects of Hurricane Katrina and, to a lesser extent, from the Deepwater Horizon oil spill of 2010. Recovery has been slowed by the nationwide recession and by the increased cost of property insurance. In 2008, employment on the coast was briefly above pre-Katrina levels, but this October the number of persons employed on the coast was still 4.1% lower than in August of 2005, the month Katrina hit.

Gaming revenues in the state have been improving along with the economy although, even before the Great Flood hit, numbers for 2011 did not show any growth over 2010. In the spring, flooding closed 17 of the 19 Mississippi River casinos, which pushed revenues from river casinos down 12% year-to-date through October, versus the same period in 2010. On the coast, gaming revenues were down 1% for the same period. Overall, total gaming revenues in 2011 are expected to be about 6% below the $2.4 billion level reached in 2010.

The State's recovery is expected to follow a course similar to that of the nation as a whole. The growth rate of gross state product is estimated at 1% in 2011, compared to a growth rate of 1.8% expected nationally. In 2012, the growth rate of gross state product is forecast to be 1.8%, versus 1.6% for the U.S. Employment growth is estimated at 0.5% in 2011 and is forecast to reach 0.8% in 2012, with a 1.4% increase predicted in 2013. Personal income rose an estimated 3.5% in 2011; and is forecast to increase 3% in 2012 and 3.4% in 2013. As consumer confidence grows and investment spending increases, the pace of economic activity will also rise. These projections rest on the assumption that the national economy grows at a modest but positive rate over the next two years.

Eighty-three percent of wage and salary employment in Mississippi is in service-providing industries, with the remaining 17% in the goods-producing industries of manufacturing, construction, and natural resources/mining. Despite the dominance of services, goods-producing industries, and manufacturing in particular, are crucial to the State's economy. In the U.S. as a whole, manufacturing provides 9% of total jobs, but in Mississippi, the figure is 12%.

Manufacturing also sustains many of the State's service jobs in transportation, business services, finance, and agriculture. Within manufacturing, which employs 133,000 workers, the percentage of employees in furniture and in wood products is more than twice the corresponding percentages for the U.S. These industries, along with food products, account for 37% of manufacturing employment, versus 18% for the U.S. as a whole. Transportation equipment (including both shipbuilding and automobile production), machinery manufacturing, electrical equipment, and fabricated metal products account for another 35% of manufacturing employment.

The largest employers in the service-providing sectors, each employing more than 100,000 persons, are local government, retail trade, health care and social assistance, and accommodation and food services.

Long-term Financial Planning

State revenue collections have exceeded revenue estimates. The first five months of FY 2012 the revenues have outpaced the estimates for the first five months. Revenue projections for the next two years show signs of very slow recovery. The state executive budget recommendation for FY 2013 continues to address revenues estimated at a level below FY 2012 appropriations. The recommendation includes additional reductions in operational costs through various entity consolidations, shared service scenarios, and various cost cutting measures.

The state executive budget also addresses the need to be prepared for additional fiscal contingencies. As a result approximately $97.7 million dollars of available funds is being preserved for use in FY 2014 and beyond.

Major Initiatives

Despite tough economic times for the State, the focus remains on education, workforce training and economic development. Mississippi sees these areas as paramount to the future success of the State. While budgets were less than the previous year, education continues to make up approximately 60% of the budgetary general funds. Health care and public safety continue to be of great importance to the citizens of our State. Projects for a new $30 million health lab and a new $40 million state-of-the-art crime lab continue to move forward and upon completion will improve these vital services.

Mississippi also recognizes the importance to its financial future to maintain and update its major financial computer systems. Major projects for both the tax/revenue system for the Department of Revenue and the State's accounting and human resources systems are underway and will be in progress over a period of three to five years that once complete will help ensure system stability, accountability, and will enhance the capability of revenue collections due the State.

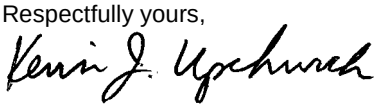
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Mississippi for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This was the twenty-fourth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report was made possible by the dedicated services of the staff of the Bureau of Financial Reporting within the Department of Finance and Administration with the cooperation and support of the Office of the State Auditor and the various agency heads and employees who assisted and contributed to its preparation.

Respectfully yours,



Kevin J. Upchurch

Mississippi

Officials of State Government

Executive Branch

Governor
Haley Barbour

Lieutenant Governor
Phil Bryant

Secretary of State
Delbert Hosemann

State Auditor
Stacey Pickering

State Treasurer
Tate Reeves

Attorney General
Jim Hood

Commissioner of Agriculture and Commerce
Lester Spell, Jr.

Commissioner of Insurance
Mike Chaney

Transportation Commissioners
Dick Hall
Wayne Brown
Mike Tagert

Public Service Commissioners
Brandon Presley
Lynn Posey
Leonard Bentz

State Fiscal Officer
Kevin J. Upchurch

Legislative Branch

Speaker of the House of Representatives
William J. McCoy

Speaker Pro Tempore of the House of Representatives
J. P. Compretta

President Pro Tempore of the Senate
Billy Hewes

Secretary of Senate
Tressa Guynes

Clerk of the House of Representatives
Don Richardson

Legislative Budget Office
Debbie Rubisoff, Director

Joint Legislative Committee on Performance Evaluation and Expenditure Review
Max K. Arinder, Director

Judicial Branch

Supreme Court of Mississippi

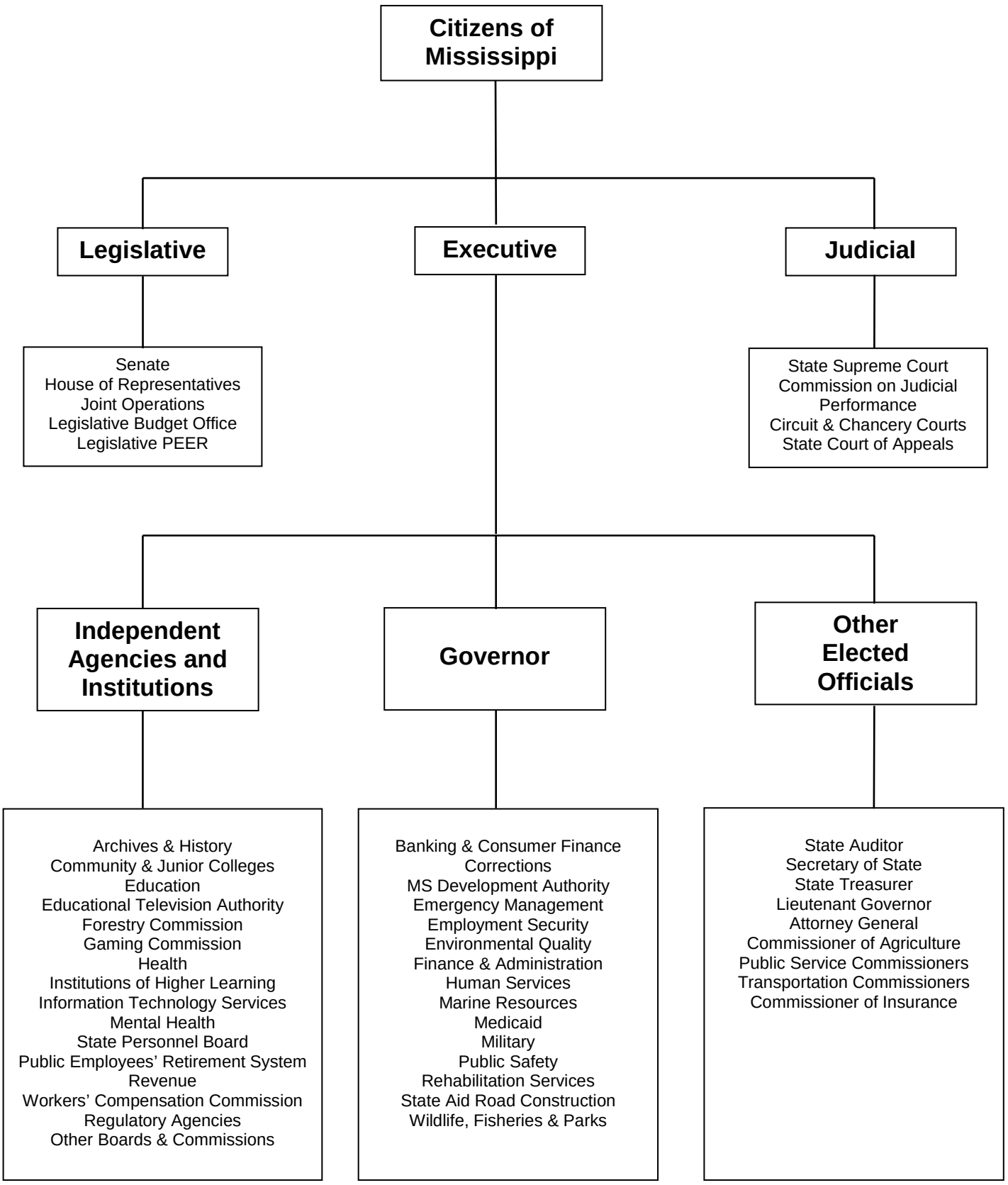
Chief Justice
William L. Waller, Jr.

Presiding Justices
George C. Carlson, Jr.
Jess H. Dickinson

Justices
Michael K. Randolph
Ann H. Lamar
James W. Kitchens
David A. Chandler
Randy G. Pierce
Leslie D. King

Clerk of the Supreme Court
Kathy Gillis

Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Mississippi

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Linda C. Davidson

President

Executive Director

Financial Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

The Governor, Members of the Legislature
and Citizens of the State of Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Mississippi, as of and for the year ended June 30, 2011, which collectively comprise the State's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of:

- Government-wide Financial Statements
  - Governmental Activities
    - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Corrections, the Department of Employment Security, the Department of Environmental Quality, the Department of Finance and Administration – Office of Insurance, the Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Emergency Management Agency, the Department of Rehabilitation Services and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 7% and 37%, respectively, of the assets and revenues of the Governmental Activities;
  - Business-type Activities
    - the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board and the Unemployment Compensation Fund which, in the aggregate, represent 82% and 95%, respectively, of the assets and revenues of the Business-type Activities;
  - Component Units
    - the Universities and the nonmajor component units.
- Fund Financial Statements
  - Governmental Funds
    - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, and selected funds at the Department of Corrections, the Department of Environmental Quality, the Office of the Governor - Division of Medicaid, the Military Department, the Department of Rehabilitation Services and the Department of Wildlife, Fisheries and Parks which represent 21% and 33%, respectively, of the assets and revenues of the General Fund;

- Proprietary Funds

  - the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program and the Unemployment Compensation Fund which are considered major enterprise funds;

- Aggregate Remaining Funds

  - selected nonmajor governmental funds at the Mississippi Emergency Management Agency and the Department of Employment Security;

  - the State Agencies Self-Insured Workers' Compensation Trust Fund and selected funds at the Department of Finance and Administration – Office of Insurance within the Internal Service Fund;

  - nonmajor enterprise funds for the Veterans' Home Purchase Board;

  - the Pension Trust Funds;

  - the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;

  all of which represent 96% and 94%, respectively, of the assets and revenues of the Aggregate Remaining Funds.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us; and our opinions, insofar as they relate to the amounts included for those agencies, funds, and component units, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. The financial statements of the Mississippi State University Foundation, Inc., the University of Mississippi Foundation, the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi Educational Building Corporation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund and the State Institutions of Higher Learning Tort Liability Fund, which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Mississippi, as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.s., the State adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2011 on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes, the Schedule of Funding Progress for Pension Trust Funds and corresponding notes and the Schedule of Funding Progress – Other Postemployment Benefits included in this report are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Mississippi's basic financial statements. The introductory section, the supplementary information - combining and individual fund financial statements and supporting schedules and the statistical section as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information - combining and individual fund financial statements and supporting schedules has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections listed in the accompanying table of contents have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance
Audit Division

Jackson, Mississippi
December 19, 2011

Management's Discussion and Analysis

The following discussion and analysis of the State of Mississippi's financial performance provides an overview of the State's financial activities for the fiscal year ended June 30, 2011. Readers are encouraged to consider the information presented here in conjunction with the transmittal letter, which is located in the Introduction of this report, and the State's financial statements, which immediately follow this discussion and analysis.

Financial Highlights

Government-wide - The assets of the State exceeded its liabilities at the close of the fiscal year by $13,591,026,000 (reported as "net assets"). Of this amount, a negative $2,430,457,000 was reported as "unrestricted net assets", which means that it would be necessary to convert restricted assets to unrestricted assets if the government's ongoing obligations to citizens and creditors were immediately due and payable. The State had $3,913,905,000 in restricted net assets. Net assets of governmental activities and business-type activities increased by $892,390,000 and $58,696,000, respectively.

Fund Level - At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of $4,263,995,000, which is $546,329,000 greater than the previous year. Revenues from taxes grew as the economy slowly recovered. An increase in federal revenue associated with increased health and social services expenditures resulted in a positive change in fund balance.

Long-term Debt - The total outstanding net long-term bonds and notes were $4,854,072,000 at June 30, 2011. During the year, the State issued $874,581,000 in bonds and notes, net of premiums, discounts and deferred amount on refunding. These bonds and notes were issued primarily for capital improvements, the Economic Development Highway program, industry incentive financing, and transportation.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the State's basic financial statements, which include government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also contains required supplementary information and other supplementary information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the State's finances. These statements consist of the statement of net assets and the statement of activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets presents information on all of the State's nonfiduciary assets and liabilities, with the differences between the two reported as "net assets". Over time, increases or decreases in the State's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements for the primary government report two types of activities:

Governmental Activities - The State's basic services are reported here, including general government; education; health and social services; law, justice and public safety; recreation and resource development; regulation of business and professions; and transportation. Taxes and federal grants finance most of these activities.

Business-type Activities - The cost of providing goods or services to the general public, which is financed or recovered primarily through user charges, is reported here. State fair and coliseum operations; home mortgage loans to veterans; port facilities; and unemployment compensation services are examples of these activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds. These categories use different accounting approaches and should be interpreted differently.

Governmental Funds - Most of the State's general activities are reported in governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. This approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the State's near-term financing requirements. Governmental funds include the General Fund, which is presented separately as a major fund. The capital projects fund, permanent funds, and special revenue funds are combined into a single column on the governmental fund financial statements, with individual fund data provided in the combining financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it may be useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds - The State maintains two types of proprietary funds: enterprise and internal service. Enterprise funds charge fees for services to outside customers. They are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting, and are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds provide personnel, insurance, and information technology services to other state agencies, as well as other governmental entities, on a cost reimbursement basis. Because these services primarily benefit governmental rather than business-type functions, they have been included in governmental activities on the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Unemployment Compensation Fund, the Port Authority at Gulfport Fund, and the Prepaid Affordable College Tuition Fund are presented separately as major funds, with the nonmajor enterprise funds combined into a single column. The internal service funds are presented in a single column on the proprietary fund statements as well. The nine nonmajor enterprise funds and the three internal service funds are presented in detail in the combining financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the state government. Because these resources are not available to support the State's own programs, fiduciary funds are not reported in the government-wide financial statements. The State's fiduciary activities are presented in a statement of fiduciary net assets and a statement of changes in fiduciary net assets, with related combining financial statements. These funds, which include pension trust funds, private-purpose trust funds, and agency funds, are reported using the accrual basis of accounting.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on the government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the component unit financial statements.

Other Information

This report also contains the following required supplementary information (RSI): the Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds and the Schedule of Funding Progress for pension trust funds and for other post-employment benefits, along with the accompanying notes. The combining financial statements are presented as supplementary information immediately following the RSI.

Government-wide Financial Analysis

Net Assets

The State's combined net assets for governmental and business-type activities increased $951,086,000 in fiscal year 2011. Net assets in the prior year totaled $12,639,940,000, as compared to $13,591,026,000 in the current year. Business-type activities reported positive balances in all three net asset categories, while governmental activities and the State as a whole continued to reflect a negative balance in unrestricted net assets.

The largest share of net assets, 89.1 percent, consisted of investment in capital assets such as land, buildings, machinery and equipment, and infrastructure, less any outstanding debt used to acquire those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets invested in capital assets, net of related debt, increased $490,733,000 from the previous year. Additions to construction in progress and infrastructure for roads, highways, bridges, and building projects provided the majority of the governmental activities' increase of $480,121,000. Most of the business-type activities' increase of $10,612,000 was the result of additions to construction in progress for the continued restoration of the Port Authority at Gulfport after Hurricane Katrina.

Restricted net assets, representing resources that are subject to externally imposed restrictions, comprised 28.8 percent of total net assets, as compared to 8.6 percent in the prior year. Due to the implementation of GASB Statement 54, additional net assets were classified as restricted. The remaining negative balance represented unrestricted net assets of $2,430,457,000. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable. The positive balance of $250,052,000 in business-type activities may be used to meet ongoing obligations to citizens and creditors; however, internally imposed designations of certain resources further limit the purposes for which those net assets may be used.

Net Assets
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010 *	2011	2010	2011	2010 *
Current and other assets	$ 6,274,146	$ 5,692,118	$ 1,064,610	$ 976,753	$ 7,338,756	$ 6,668,871
Capital assets	13,139,932	12,575,641	250,048	243,208	13,389,980	12,818,849
Total Assets	19,414,078	18,267,759	1,314,658	1,219,961	20,728,736	19,487,720
Deferred outflows	30,827	58,072			30,827	58,072
Noncurrent liabilities	4,806,910	4,427,301	353,529	330,080	5,160,439	4,757,381
Other liabilities	1,949,437	2,102,362	58,661	46,109	2,008,098	2,148,471
Total Liabilities	6,756,347	6,529,663	412,190	376,189	7,168,537	6,905,852
Net assets:						
Invested in capital assets, net of related debt	11,888,865	11,408,744	218,713	208,101	12,107,578	11,616,845
Restricted	3,480,202	655,192	433,703	433,216	3,913,905	1,088,408
Unrestricted	(2,680,509)	(267,768)	250,052	202,455	(2,430,457)	(65,313)
Total Net Assets	$ 12,688,558	$ 11,796,168	$ 902,468	$ 843,772	$ 13,591,026	$ 12,639,940

* As restated in Note 2 to the financial statements.

Changes in Net Assets

Operating grants and contributions were the main revenue source with $8,207,580,000 or 47.3 percent of the State's total revenues. Revenue from taxes increased $117,789,000 or 2 percent to boost net assets. Charges for services brought in an additional $165,509,000. The largest share of the State's total expenses was attributed to the health and social services function at $6,871,858,000 or 42 percent. The health and social services function continued to grow this year with an increase of $124,432,000 over the prior year reflecting the continuing trend in rising costs in medical services and program participants. Expenses in the general government function declined by $131,465,000. Unemployment compensation expenses were reduced by $148,889,000 with the conclusion of an ARRA program.

Changes in Net Assets

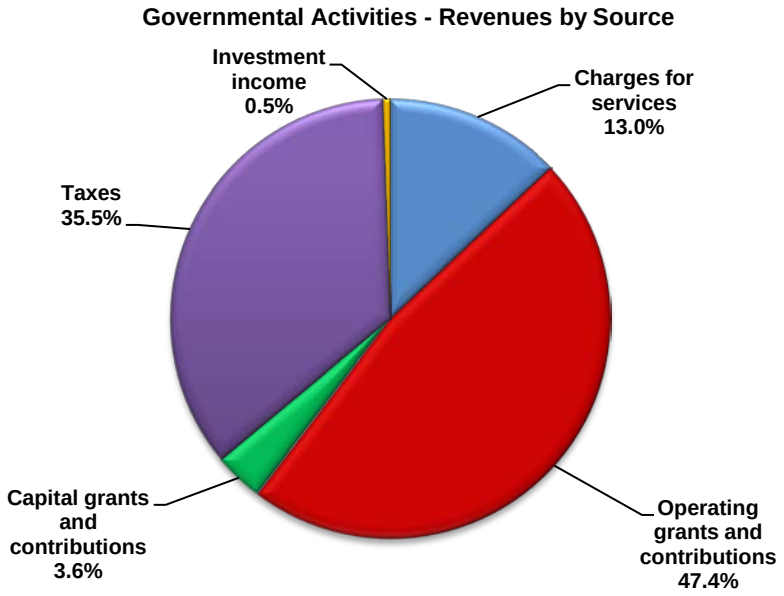
(amounts expressed in thousands)

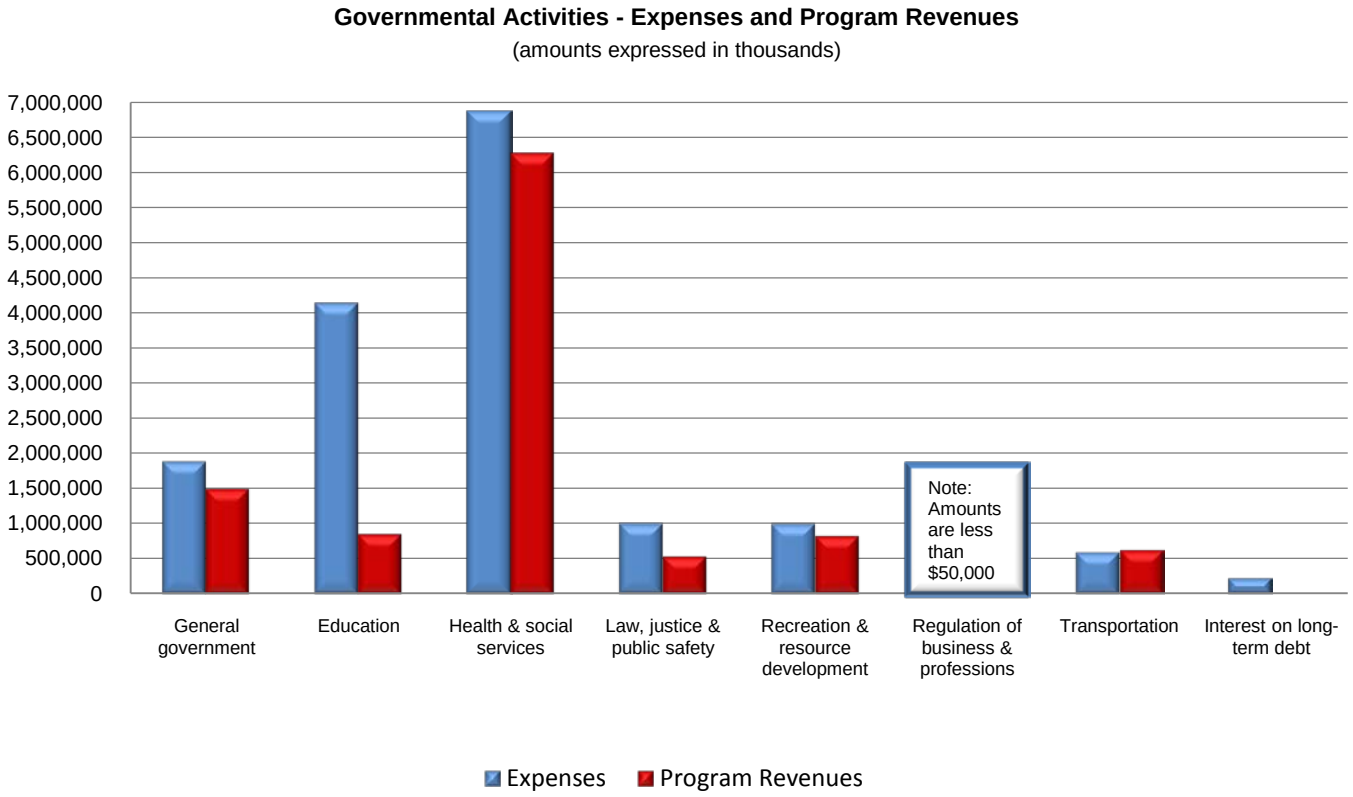
	Governmental Activities		Business-type Activities		Total	
	2011	2010 *	2011	2010	2011	2010 *
Revenues:						
Program Revenues:						
Charges for services	$ 2,155,782	$ 2,130,303	$ 298,208	$ 158,178	$ 2,453,990	$ 2,288,481
Operating grants and contributions	7,896,876	7,795,111	310,704	382,141	8,207,580	8,177,252
Capital grants and contributions	603,098	643,843	16	24	603,114	643,867
General Revenues:						
Taxes	5,921,054	5,803,265			5,921,054	5,803,265
Investment income	91,185	54,935	62,388	44,548	153,573	99,483
Total Revenues	16,667,995	16,427,457	671,316	584,891	17,339,311	17,012,348
Expenses:						
General government	1,880,341	2,011,806			1,880,341	2,011,806
Education	4,138,406	4,082,117			4,138,406	4,082,117
Health and social services	6,871,858	6,747,426			6,871,858	6,747,426
Law, justice and public safety	1,006,887	1,095,181			1,006,887	1,095,181
Recreation and resource development	1,001,306	1,058,604			1,001,306	1,058,604
Regulation of business and professions	37,438	38,188			37,438	38,188
Transportation	592,642	689,802			592,642	689,802
Interest on long-term debt	223,856	146,732			223,856	146,732
Unemployment compensation			520,790	669,679	520,790	669,679
Port Authority at Gulfport			30,276	23,243	30,276	23,243
Prepaid affordable college tuition			45,754	42,183	45,754	42,183
Other business-type			38,671	38,074	38,671	38,074
Total Expenses	15,752,734	15,869,856	635,491	773,179	16,388,225	16,643,035
Excess (deficiency) before Transfers	915,261	557,601	35,825	(188,288)	951,086	369,313
Transfers	(22,871)	(29,896)	22,871	29,896		
Change in Net Assets	892,390	527,705	58,696	(158,392)	951,086	369,313
Net Assets - Beginning, as restated	11,796,168	11,268,463	843,772	1,002,164	12,639,940	12,270,627
Net Assets - Ending	$ 12,688,558	$ 11,796,168	$ 902,468	$ 843,772	$ 13,591,026	$ 12,639,940

* As restated in Note 2 to the financial statements.

Governmental Activities

Governmental activities increased the State's net assets by $892,390,000. Operating grants and contributions increased by $101,765,000 and continued to be the largest source of revenue at 47.4 percent. Revenues from taxes followed with the next largest percentage at 35.5. The health and social services function dominated both the expenses and program revenues at $6,871,858,000 and $6,271,200,000, respectively. Education expenses of $4,138,406,000 outpaced program revenues of $855,253,000 leaving a negative $3,283,153,000 to be funded from general revenues.

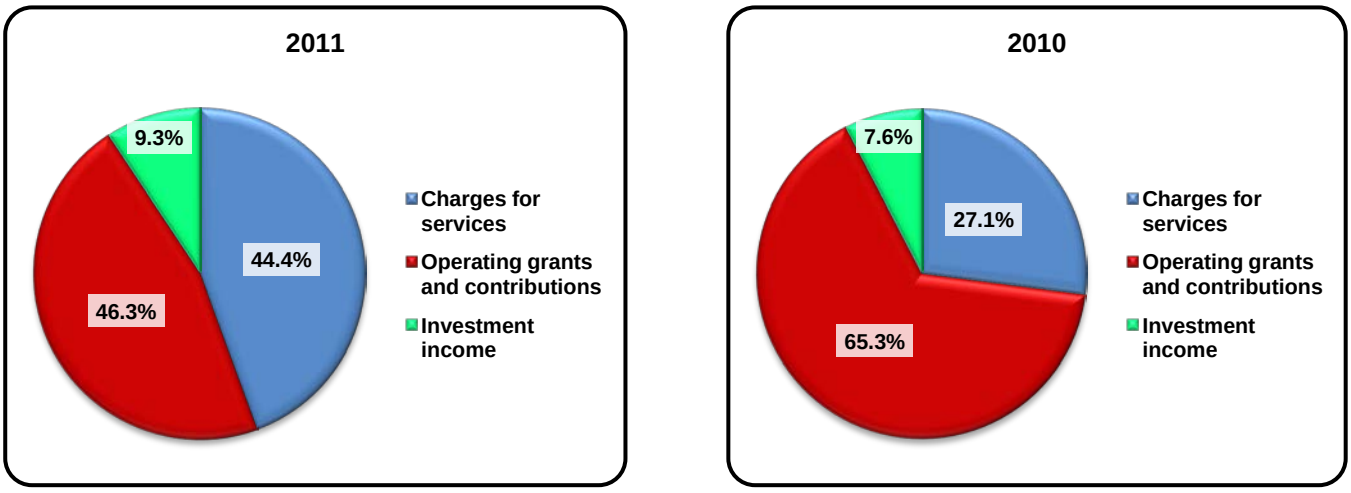

Governmental Activities - Revenues by Source
Investment income 0.5%
Charges for services 13.0%
Taxes 35.5%
Capital grants and contributions 3.6%
Operating grants and contributions 47.4%



Business-type Activities

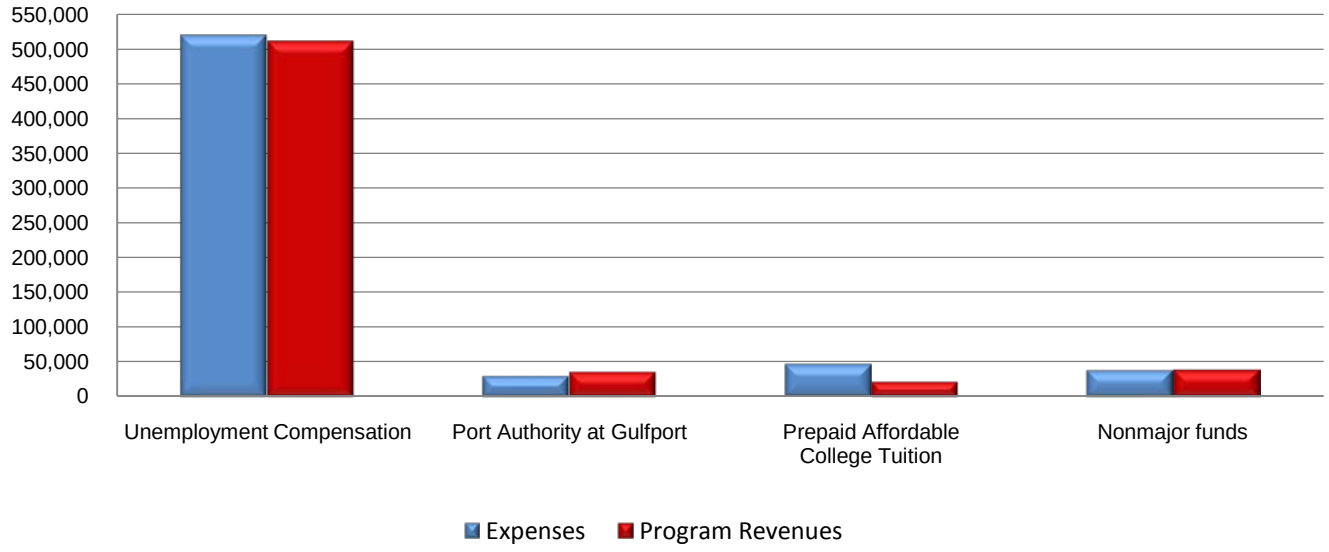
Business-type activities increased the State's net assets by $58,696,000. The percentage of revenues by source shifted as operating grants and contributions decreased from $382,141,000 to $310,704,000 and charges for services increased from $158,178,000 to $298,208,000. Investment income had a significant rise from $44,548,000 to $62,388,000. For the current year, program revenues kept pace with expenses with the exception of the Prepaid Affordable College Tuition fund. A positive return on this fund's investments, reported as general revenues, more than offset expenses.

Business-type Activities - Revenues by Source



Business-type Activities - Expenses and Program Revenues

(amounts expressed in thousands)



Financial Analysis of the State's Individual Funds

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

At June 30, 2011, the governmental funds reported combined fund balances of $4,263,995,000, reflecting an increase of $546,329,000 over the prior year. Within fund balances, $107,047,000 or 2.5 percent was deemed as nonspendable. The majority of the fund balance, $3,373,155,000 or 79.1 percent was classified as restricted. Committed fund balance equaled $385,381,000 or 9 percent of the total. Assigned fund balance comprised 2.6 percent or $110,648,000. The remaining 6.8 percent, or $287,764,000, of fund balance was unassigned.

The General Fund is the chief operating fund of the State. The General Fund increased $629,590,000 from the prior year to an ending fund balance of $3,545,029,000. Revenues related to sales and use tax increased by $68,129,000 and individual income tax increased by $72,473,000. Sales and use tax revenues picked up slightly over the reporting period as the economy grew at a relatively sluggish pace. The increase in individual income tax revenues was also an indication of a slowly improving economy. The largest portion of the $111,790,000 increase in health and social services expenditures was attributed to Medicaid. The agency managed more Medicaid beneficiaries and experienced a rising cost in medical services. In addition, there was a short term increase in costs related to a new managed care program. With the rise in expenditures, the corresponding growth in federal revenues occurred.

Proprietary Funds

The Unemployment Compensation Fund reversed its downward trend as net assets increased by $487,000 in contrast to a prior year decrease of $181,972,000. Total operating revenues increased while operating expenses decreased from the prior year. Assessments rose by $124,402,000 over the prior year due to the taxable wage base increase for employers from $7,000 to $14,000. The ARRA program Federal Additional Compensation was phased out which led to an $84,301,000 reduction in federal revenue. The high correlation between the revenue received and benefits paid created a $148,559,000 drop in claims and benefits expense. Federal revenue for the Federal Employees and Ex-servicemembers programs rose by $4,672,000 as claims for these programs grew. Transfers out associated with the Reed Act increased by $4,776,000 over the prior year due to ARRA revenue designated for improving technology in the unemployment insurance program.

The Port Authority at Gulfport Fund reported an increase in net assets of $25,880,000. This was a considerable improvement over the $17,479,000 increase reported in the prior year. The Port received $12,500,000 in insurance proceeds with the completion of its Hurricane Katrina litigation. Restoration of the facilities continued as the Port received federal pass through grants from other state agencies totaling $18,941,000, as well as direct federal monies of $8,192,000 for security lighting and the Transportation and Investment Generating Economic Recovery program. An increase in associated reimbursable expenditures contributed to a 32.4 percent rise in operating expenses.

The Prepaid Affordable College Tuition Fund's change in net assets was $22,716,000, while the increase was only $2,062,000 in the prior year. As the condition of the market strengthened, investment income rose to $46,706,000 in tandem with a $29,130,000 increase in the market value of its investments.

General Fund Budgetary Highlights

The original estimated growth rate for fiscal year 2011 General Fund revenues was 1.2 percent. This estimate was revised to a sine die estimate of 0.3 percent. Actual fiscal year 2011 General Fund revenue collections were 3 percent higher than the prior year. Each of these revenue components grew: 0.5 percent in sales tax, 3.2 percent in individual income tax, and 11.2 percent in corporate income and franchise tax.

Actual fiscal year 2011 revenues were $99,954,000 higher than in the prior year. These same revenues were $122,584,000 above estimated amounts. Positive revenue variances occurred in the three largest General Fund revenue components: corporate income and franchise tax - $54,878,000, individual income tax - $29,736,000, and sales tax - $25,784,000. The final expenditure budget was $13,538,000 less than the original budget and actual expenditures were $2,924,000 less than the final budget.

Capital Assets and Debt Administration

Capital Assets

Net capital assets for the State totaled $13,389,980,000 for the year ended June 30, 2011. This reflected a net increase in both governmental activities and business-type activities for the current fiscal year of 4.5 percent and 2.8 percent, respectively. In comparison, the prior fiscal year also resulted in net increases that were 4.2 percent and 7.9 percent, respectively. The State's depreciation expense for fiscal year 2011 was $344,378,000 resulting in accumulated depreciation of $4,839,405,000.

Major capital asset events during fiscal year 2011 included the following:

Construction in progress for governmental activities boasted the largest increase of any asset class with $789,178,000. Of this amount, $676,078,000 related to roads, highways, and bridges. Department of Finance and Administration building projects added $49,473,000 with the largest expenditures incurred at the Department of Health Laboratory, the Mississippi Children's Museum, and Boswell Regional Center Intermediate Care Facilities. In addition, $21,018,000 was associated with the Mississippi Wireless Interoperable Network and $18,757,000 was connected to software development at the Department of Employment Security.

Within governmental activities, infrastructure increased by $439,064,000 primarily for roads, highways, and bridges. Current year additions included pavement rehabilitation projects which were completed in Hancock, Pearl River, Rankin, and Warren counties. Vision 21 projects were finished in Greene, Harrison, Kemper, Madison, and Wayne counties. In addition, a safety project was completed in Hinds County and a bridge project was completed in Holmes County.

Governmental activities reflected increases of $137,932,000 for land and $112,139,000 for buildings. Additions to land for right-of-way acquisitions totaled $123,573,000. Building additions included $34,234,000 for the NASA Shared Services Center and $18,598,000 for the Sillers Building parking facility.

Business-type activities increased net capital assets by $6,840,000. The Port Authority at Gulfport added $14,881,000 to construction in progress for security lighting, erosion protection, phase III of the fill project, and fender system repairs. Projects completed at the Port and moved out of construction in progress included an addition to land of $28,706,000 for phase II of the fill project and an addition to infrastructure of $19,383,000 for completion of the West Pier Berth 3 rehabilitation.

Additional information about the State's capital assets is presented in Note 8 to the financial statements. Note 17 covers the State's outstanding long-term contracts related to the construction of state and county roads, highways, and bridges, as well as building projects for various state agencies.

Capital Assets, Net of Depreciation
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$ 1,305,370	$ 1,167,729	$ 71,218	$ 42,514	$ 1,376,588	$ 1,210,243
Software	2,556	3,110			2,556	3,110
Buildings	1,308,809	1,232,063	60,061	61,718	1,368,870	1,293,781
Land improvements	115,391	99,387	20,878	19,641	136,269	119,028
Machinery and equipment	189,550	254,167	10,790	11,991	200,340	266,158
Infrastructure	5,623,484	5,430,283	82,561	66,941	5,706,045	5,497,224
Construction in progress	4,594,772	4,388,902	4,540	40,403	4,599,312	4,429,305
Total	$ 13,139,932	$ 12,575,641	$ 250,048	$ 243,208	$ 13,389,980	$ 12,818,849

Debt Administration

As of June 30, 2011, outstanding general obligation debt for the State was $3,837,126,000, net of premiums, discounts and deferred amount on refunding. General Obligation Refunding bonds of $1,526,018,000, Capital Improvements bonds of $994,851,000, and Major Economic Impact bonds of $417,084,000 comprise 76.6 percent of this outstanding debt. During the current fiscal year, the State issued $669,670,000 in general obligation bonds and notes which are reported in governmental activities. These bonds and notes were issued for capital improvements, the Economic Development Highway program, industry incentive financing, and transportation. Within business-type activities, general obligation bonds decreased by $3,050,000 as the Port Authority at Gulfport continued to extinguish its long-term debt.

Mississippi has a rating of AA from Standard and Poor's, AA+ from Fitch, and Aa2 from Moody's. These ratings are based upon the State's conservative fiscal management practices, manageable debt levels, favorable effects of various budgetary reforms and the potential for future economic diversification.

The State's constitutional debt limit is established at one and one-half times the sum of all revenues collected by the State during any one of the four preceding fiscal years, whichever may be higher. Current practice restricts revenues included in the computation of this debt limitation to the following: taxes; licenses, fees and permits; investment income; rental income; service charges including net income from the Alcoholic Beverage Control Division; and fines, forfeitures and penalties. As of June 30, 2011, the State had established a constitutional legal debt limit of $12,451,109,000, which significantly exceeds the amount of debt applicable to the debt limit. Additional information about the State's long-term debt can be found in Notes 9 through 13 to the financial statements.

Outstanding Long-term Debt
Bonds and Notes
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds and notes	$ 3,813,700	$ 3,524,006	$ 23,426	$ 26,476	$ 3,837,126	$ 3,550,482
Notes payable	1,016,946	1,044,352			1,016,946	1,044,352
Total	$ 4,830,646	$ 4,568,358	$ 23,426	$ 26,476	$ 4,854,072	$ 4,594,834

Economic Factors and Next Year's Budget

The State's average unemployment rate for the calendar year 2010 average, as well as the average for the twelve months ending October 2011, was 10.4 percent. The national average rates were more favorable at 9.6 percent and 9.1 percent for the same time periods. Current inflationary trends in the region were similar to national indexes.

During fiscal year 2012, the economy of the State is expected to gradually continue to improve. The initial estimated overall fiscal year 2012 General Fund revenue growth rate was zero, with component revenue growth projections of 1.5 percent in sales tax, 0.5 percent in individual income tax and negative 3.7 percent in corporate income and franchise tax. The overall estimate was revised in November 2011 to 1.3 percent. The November component revenue projections were 1.1 percent in sales tax, 2 percent in individual income tax and zero percent in corporate income and franchise tax. At the end of October, General Fund collections had risen above the estimate by 5 percent. Actual component revenue had increased by 6.3 percent in sales tax, 11.7 percent in individual income tax and negative 40.8 percent in corporate income and franchise tax.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State of Mississippi's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact: Department of Finance and Administration, Bureau of Financial Reporting, P. O. Box 1060, Jackson, MS 39215.

Basic Financial Statements

Statement of Net Assets

June 30, 2011 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Equity in internal investment pool	$ 3,274,830	$ 28,870	$ 3,303,700	$ 22,289
Cash and cash equivalents	344,425	439,627	784,052	370,941
Investments	11,054	56,631	67,685	150,609
Receivables, net	559,559	99,786	659,345	238,374
Restricted assets:				
Cash and cash equivalents		701	701	
Due from other governments, net	598,075	15,709	613,784	234
Internal balances	(7,479)	7,479		
Due from component units	1,052	4	1,056	
Due from primary government				38,328
Inventories	37,571	438	38,009	26,273
Prepaid items		121	121	13,036
Loans and notes receivable, net	19,250	5,726	24,976	28,644
Deferred charges	1,910	17	1,927	
Other assets				2,428
Total Current Assets	4,840,247	655,109	5,495,356	891,156
Noncurrent assets:				
Investments	407,843	239,435	647,278	420,088
Receivables, net	181,748		181,748	
Due from other governments, net	561,978		561,978	
Loans and notes receivable, net	258,504	169,432	427,936	131,690
Deferred charges	23,826	106	23,932	
Restricted assets:				
Cash and cash equivalents		450	450	203,286
Investments				748,316
Capital assets:				
Land and construction in progress	5,900,142	75,758	5,975,900	364,149
Other capital assets, net	7,239,790	174,290	7,414,080	2,680,264
Other assets		78	78	27,548
Total Noncurrent Assets	14,573,831	659,549	15,233,380	4,575,341
Total Assets	19,414,078	1,314,658	20,728,736	5,466,497
Deferred Outflows				
Interest rate swaps	30,827		30,827	
Total Deferred Outflows	$ 30,827	$ 0	$ 30,827	$ 0

(Continued on Next Page)

Statement of Net Assets

June 30, 2011 (Expressed in Thousands)

(Continued from Previous Page)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Liabilities				
Current liabilities:				
Warrants payable	$ 62,143	$ 291	$ 62,434	$
Accounts payable and other liabilities	594,244	15,753	609,997	159,571
Contracts payable	103,223		103,223	
Retainage payable		627	627	
Income tax refunds payable	220,000		220,000	
Due to other governments	334,525	9,767	344,292	
Due to component units	38,326	2	38,328	
Due to primary government				1,056
Claims and benefits payable	121,369	10,446	131,815	
Deposits		1,744	1,744	667
Unearned revenues	89,634	16,970	106,604	59,332
Pollution remediation obligation	6,341		6,341	
Bonds and notes payable, net	373,171	2,634	375,805	23,889
Lease obligations payable	6,461	237	6,698	5,372
Payable from restricted assets		190	190	
Other liabilities				56,260
Total Current Liabilities	1,949,437	58,661	2,008,098	306,147
Noncurrent liabilities:				
Due to other governments		8,249	8,249	
Claims and benefits payable	40,011	323,508	363,519	
Derivative instruments	30,827		30,827	
Other postemployment benefits payable	82,212		82,212	
Pollution remediation obligation	32,813		32,813	
Bonds and notes payable, net	4,502,475	20,792	4,523,267	732,245
Lease obligations payable	7,474	381	7,855	20,232
Liabilities payable from restricted assets:				
Deposits		1	1	
Other liabilities	111,098	598	111,696	241,374
Total Noncurrent Liabilities	4,806,910	353,529	5,160,439	993,851
Total Liabilities	6,756,347	412,190	7,168,537	1,299,998
Net Assets				
Invested in capital assets, net of related debt	11,888,865	218,713	12,107,578	2,316,287
Restricted for:				
General government	206,467		206,467	
Education	223,097		223,097	
Health and social services	438,972		438,972	
Law, justice and public safety	108,979		108,979	
Recreation and resources development	1,299,347		1,299,347	
Regulation of business and professions	49,726		49,726	
Transportation	519,536		519,536	
Capital projects	310,843		310,843	
Debt service	323,235		323,235	
Other purposes		650	650	471,142
Permanent endowments:				
Nonexpendable				584,020
Unemployment compensation benefits		433,053	433,053	
Unrestricted	(2,680,509)	250,052	(2,430,457)	795,050
Total Net Assets	$ 12,688,558	$ 902,468	$ 13,591,026	$ 4,166,499

The accompanying notes to the financial statements are an integral part of this statement.

Statement of Activities

For the Year Ended June 30, 2011 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 1,880,341	$ 1,183,632	$ 314,847	$ 1,117
Education	4,138,406	36,151	818,725	377
Health and social services	6,871,858	622,266	5,643,879	5,055
Law, justice and public safety	1,006,887	101,992	415,189	15,827
Recreation and resource development	1,001,306	132,401	690,605	5,005
Regulation of business and professions	37,438	43,005	819	
Transportation	592,642	36,335	12,812	575,717
Interest on long-term debt	223,856			
Total Governmental Activities	15,752,734	2,155,782	7,896,876	603,098
Business-type activities:				
Unemployment compensation	520,790	209,318	302,512	
Port Authority at Gulfport	30,276	27,807	8,192	
Prepaid affordable college tuition	45,754	21,764		
Other business-type	38,671	39,319		16
Total Business-type Activities	635,491	298,208	310,704	16
Total Primary Government	$ 16,388,225	$ 2,453,990	$ 8,207,580	$ 603,114
Component units:				
Universities	$ 2,914,424	$ 1,375,314	$ 590,107	$ 68,938
Nonmajor	38,310	30,833	3,190	127
Total Component Units	$ 2,952,734	$ 1,406,147	$ 593,297	$ 69,065
General revenues:				
Taxes:				
Sales and use				
Gasoline and other motor fuel				
Individual income				
Corporate income and franchise				
Insurance				
Other				
Investment income				
Other				
Payment from State of Mississippi				
Contributions to permanent endowments				
Transfers				
Total General Revenues, Contributions and Transfers				
Change in Net Assets				
Net Assets - Beginning, as restated				
Net Assets - Ending				

The accompanying notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (380,745)	$	$ (380,745)	
(3,283,153)		(3,283,153)	
(600,658)		(600,658)	
(473,879)		(473,879)	
(173,295)		(173,295)	
6,386		6,386	
32,222		32,222	
(223,856)		(223,856)	
(5,096,978)		(5,096,978)	
	(8,960)	(8,960)	
	5,723	5,723	
	(23,990)	(23,990)	
	664	664	
	(26,563)	(26,563)	
(5,096,978)	(26,563)	(5,123,541)	
			$ (880,065)
			(4,160)
			(884,225)
2,935,523		2,935,523	
420,410		420,410	
1,374,843		1,374,843	
477,443		477,443	
192,146		192,146	
520,689		520,689	
91,185	62,388	153,573	138,997
			204,507
			751,323
			22,020
(22,871)	22,871		
5,989,368	85,259	6,074,627	1,116,847
892,390	58,696	951,086	232,622
11,796,168	843,772	12,639,940	3,933,877
$ 12,688,558	$ 902,468	$ 13,591,026	$ 4,166,499

Balance Sheet

June 30, 2011 (Expressed in Thousands)

	General	Nonmajor Funds	Totals
Assets			
Equity in internal investment pool	$ 2,503,317	$ 530,060	$ 3,033,377
Cash and cash equivalents	249,806	14,979	264,785
Investments	188,850	199,401	388,251
Receivables, net	733,562	7,394	740,956
Due from other governments, net	1,132,023	27,709	1,159,732
Due from other funds	8,729	12,973	21,702
Due from component units	273		273
Inventories	37,571		37,571
Loans receivable, net	277,754		277,754
Total Assets	$ 5,131,885	$ 792,516	$ 5,924,401
Liabilities and Fund Balances			
Liabilities:			
Warrants payable	$ 57,103	$ 4,087	$ 61,190
Accounts payable and accruals	513,482	11,544	525,026
Contracts payable	86,167	17,056	103,223
Income tax refunds payable	220,000		220,000
Due to other governments	327,253	7,265	334,518
Due to other funds	40,554	17,218	57,772
Due to component units	36,186	2,106	38,292
Claims payable	3,477		3,477
Deferred revenues	195,553		195,553
Unearned revenues	62,081	14,164	76,245
Notes payable	45,000		45,000
Other liabilities		110	110
Total Liabilities	1,586,856	73,550	1,660,406
Fund balances:			
Nonspendable			
Inventories	37,571		37,571
Principal	15,000	54,476	69,476
Restricted			
General government	205,054		205,054
Education	161,034	4,130	165,164
Health and social services	404,747	16,343	421,090
Law, justice and public safety	74,585	28,721	103,306
Recreation and resources development	1,221,169	68,585	1,289,754
Regulation of business and professions		49,726	49,726
Transportation	504,983		504,983
Capital projects	2,137	308,706	310,843
Debt service	321,997	1,238	323,235
Committed			
General government	30,664		30,664
Education	18,581		18,581
Health and social services	141,208	183,565	324,773
Law, justice and public safety	2,192	3,474	5,666
Recreation and resources development	5,695	2	5,697
Assigned			
General government	3,330		3,330
Education	25		25
Health and social services	2,090		2,090
Law, justice and public safety	103,565		103,565
Recreation and resources development	1,638		1,638
Unassigned	287,764		287,764
Total Fund Balances	3,545,029	718,966	4,263,995
Total Liabilities and Fund Balances	$ 5,131,885	$ 792,516	$ 5,924,401

The accompanying notes to the financial statements are an integral part of this statement.

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2011 (Expressed in Thousands)

Total fund balances for governmental funds			$ 4,263,995
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (excluding amounts for internal service funds' capital assets that are reported in the internal service funds' net reconciling item below):			
Software	$	5,953	
Land		1,305,370	
Buildings		1,782,943	
Land improvements		191,094	
Machinery and equipment		571,944	
Infrastructure		9,408,585	
Construction in progress		4,594,772	
Accumulated depreciation		(4,727,323)	13,133,338
Derivative instruments reported as deferred outflows in governmental activities are not financial resources and therefore are not reported in the funds.			30,827
Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.			195,553
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:			
General obligation bonds and notes		(3,764,424)	
Capital lease obligations		(13,935)	
Accrued compensated absences		(117,092)	
Pollution remediation obligation		(39,154)	
Notes payable		(992,210)	
Unamortized charges		78,696	
Unamortized premiums		(126,972)	
Claims payable		(6,060)	
Other postemployment benefits payable		(82,212)	
Accrued interest payable		(55,808)	
Derivative instruments		(30,827)	(5,149,998)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			214,843
Net assets of governmental activities			$ 12,688,558

The accompanying notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2011 (Expressed in Thousands)

	General	Nonmajor Funds	Totals
Revenues			
Taxes:			
Sales and use	$ 2,916,298	$	$ 2,916,298
Gasoline and other motor fuel	412,150	3,050	415,200
Individual income	1,409,473		1,409,473
Corporate income and franchise	447,322		447,322
Insurance	192,146		192,146
Other	520,660	29	520,689
Licenses, fees and permits	455,932	63,101	519,033
Federal government	8,090,940	405,303	8,496,243
Investment income	35,898	52,655	88,553
Charges for sales and services	366,417	13,324	379,741
Rentals	21,353	7,691	29,044
Court assessments and settlements	32,301	113,161	145,462
Other	444,619	66,991	511,610
Total Revenues	15,345,509	725,305	16,070,814
Expenditures			
Current:			
General government	1,301,010		1,301,010
Education	4,047,006	87,648	4,134,654
Health and social services	6,507,991	355,688	6,863,679
Law, justice and public safety	663,285	290,183	953,468
Recreation and resources development	914,819	87,467	1,002,286
Regulation of business and professions		37,713	37,713
Transportation	1,168,090		1,168,090
Debt service:			
Principal	316,103		316,103
Interest and other fiscal charges	225,764	1,142	226,906
Capital outlay		84,671	84,671
Total Expenditures	15,144,068	944,512	16,088,580
Excess of Revenues over (under) Expenditures	201,441	(219,207)	(17,766)
Other Financing Sources (Uses)			
Bonds and notes issued	425,967	143,827	569,794
Capital leases issued	8,009		8,009
Insurance recovery	103	82	185
Payments on refunded bond anticipation notes	(105,105)		(105,105)
Payments on refunded notes	(183,105)		(183,105)
Premiums on refunding notes issued	13,114		13,114
Refunding bonds and notes issued	284,453		284,453
Transfers in	72,452	66,234	138,686
Transfers out	(87,739)	(74,197)	(161,936)
Net Other Financing Sources (Uses)	428,149	135,946	564,095
Net Change in Fund Balances	629,590	(83,261)	546,329
Fund Balances - Beginning, as restated	2,915,439	802,227	3,717,666
Fund Balances - Ending	$ 3,545,029	$ 718,966	$ 4,263,995

The accompanying notes to the financial statements are an integral part of this statement.

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Year Ended June 30, 2011 (Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 546,329
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 975,120	
Depreciation expense	(334,106)	641,014
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net income of the internal service funds is reported with governmental activities.		64,255
In the statement of activities, only the gain on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(79,942)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities.		
Premiums on refunding notes issued	(13,114)	
Bonds and notes issued	(569,794)	
Refunding bonds and notes issued	(284,453)	
Capital leases issued	(8,009)	
Payments of debt principal	316,103	
Payments on refunded bond anticipation notes	105,105	
Payments on refunded notes	183,105	
Accrued interest payable	(10,244)	
Deferred bond and note issuance costs	6,399	(274,902)
Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Donations of equipment	2,733	
Change in claims payable	(3,401)	
Change in compensated absences	6,019	
Change in deferred revenues	17,676	
Change in other postemployment benefits payable	(33,877)	
Change in pollution remediation obligation	1,447	
Amortization of deferred charges and premiums	5,039	(4,364)
Change in net assets of governmental activities		$ 892,390

The accompanying notes to the financial statements are an integral part of this statement.

Proprietary Funds

Statement of Net Assets

June 30, 2011 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security		**State Treasurer**
	Unemployment Compensation	**Port Authority at Gulfport**	Prepaid Affordable College Tuition
Assets			
Current assets:			
Equity in internal investment pool	$	$ 757	$ 441
Cash and cash equivalents	373,470	29,455	24,285
Investments		56,631	
Receivables, net	89,875	813	4,020
Restricted assets:			
Cash and cash equivalents		201	
Due from other governments	9,309	6,379	
Due from other funds	1,284	10,204	
Due from component units			
Inventories			
Prepaid items		74	
Loans and notes receivable			
Deferred charges		17	
Total Current Assets	473,938	104,531	28,746
Noncurrent assets:			
Investments		3,005	236,430
Loans and notes receivable			
Deferred charges		106	
Restricted assets:			
Cash and cash equivalents		450	
Capital assets:			
Land and construction in progress		70,510	
Other capital assets, net		128,440	
Other assets		78	
Total Noncurrent Assets		202,589	236,430
Total Assets	$ 473,938	$ 307,120	$ 265,176

Enterprise Funds			Governmental Activities - Internal Service Funds
Nonmajor Funds	Totals		
$ 27,672	$ 28,870	$	241,453
12,417	439,627		79,640
	56,631		7,236
5,078	99,786		335
500	701		
21	15,709		321
2,132	13,620		30,350
4	4		779
438	438		
47	121		
5,726	5,726		
	17		
54,035	661,250		360,114
	239,435		23,410
169,432	169,432		
	106		
	450		
5,248	75,758		
45,850	174,290		6,594
	78		
220,530	659,549		30,004
$ 274,565	$ 1,320,799	$	390,118

(Continued on Next Page)

Statement of Net Assets

June 30, 2011 (Expressed in Thousands)

(Continued from Previous Page)

	Business-type Activities -		
	Department of Employment Security		**State Treasurer**
Liabilities	Unemployment Compensation	**Port Authority at Gulfport**	Prepaid Affordable College Tuition
Current liabilities:			
Warrants payable	$	$	$ 109
Accounts payable and other liabilities	360	8,663	3,579
Retainage payable		627	
Payable from restricted assets			
Due to other governments	8,729		
Due to other funds	4,559	1	1
Due to component units			
Claims and benefits payable	10,446		
Deposits			
Bonds payable		2,634	
Unearned revenues	16,791	94	
Lease obligations payable			
Total Current Liabilities	40,885	12,019	3,689
Noncurrent liabilities:			
Due to other governments			
Claims and benefits payable			323,508
Bonds payable		20,792	
Lease obligations payable			
Liabilities payable from restricted assets:			
Deposits		1	
Other liabilities		190	16
Total Noncurrent Liabilities		20,983	323,524
Total Liabilities	40,885	33,002	327,213
Net Assets			
Invested in capital assets, net of related debt		175,524	
Restricted for other purposes		650	
Restricted for unemployment compensation benefits	433,053		
Unrestricted		97,944	(62,037)
Total Net Assets	$ 433,053	$ 274,118	$ (62,037)

The accompanying notes to the financial statements are an integral part of this statement.

Enterprise Funds			
Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
$ 182	$ 291	$ 953
3,151	15,753	6,192
	627	
190	190	
1,038	9,767	7
1,580	6,141	1,743
2	2	34
	10,446	115,047
1,744	1,744	
	2,634	
85	16,970	13,389
237	237	
8,209	64,802	137,365
8,249	8,249	
	323,508	36,796
	20,792	
381	381	
	1	
392	598	1,114
9,022	353,529	37,910
17,231	418,331	175,275
43,189	218,713	5,972
	650	
	433,053	
214,145	250,052	208,871
$ 257,334	$ 902,468	$ 214,843

Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Year Ended June 30, 2011 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security		State Treasurer
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition
Operating Revenues			
Charges for sales and services/premiums	$	$ 14,334	$
Assessments	209,318		
Investment income			
Federal agencies	302,512		
Rentals			
Fees			801
Tuition receipts			20,963
Other			
Total Operating Revenues	511,830	14,334	21,764
Operating Expenses			
Cost of sales and services			
General and administrative		2,564	240
Contractual services		20,352	1,039
Commodities		370	27
Depreciation		6,017	
Claims and benefits	520,790		44,448
Other			
Total Operating Expenses	520,790	29,303	45,754
Operating Income (Loss)	(8,960)	(14,969)	(23,990)
Nonoperating Revenues			
Federal grant		8,192	
Revenue from counties		973	
Insurance recovery		12,500	
Gain on disposal of capital assets		10	
Investment income	14,512	369	46,706
Sale of investments			
Other			
Total Nonoperating Revenues	14,512	22,044	46,706
Nonoperating Expenses			
Loss on disposal of capital assets			
Interest and other fiscal charges		983	
Other			
Total Nonoperating Expenses		983	
Income before Capital Contributions and Transfers	5,552	6,092	22,716
Capital Contributions			
Transfers In		19,788	
Transfers Out	(5,065)		
Change in Net Assets	487	25,880	22,716
Total Net Assets - Beginning	432,566	248,238	(84,753)
Total Net Assets - Ending	$ 433,053	$ 274,118	$ (62,037)

The accompanying notes to the financial statements are an integral part of this statement.

Enterprise Funds			Governmental Activities - Internal Service Funds
Nonmajor Funds	Totals		
$ 26,714	$ 41,048	$	847,290
	209,318		
8,422	8,422		
	302,512		
2,636	2,636		
58	859		
	20,963		
989	989		20
38,819	586,747		847,310
14,729	14,729		
10,563	13,367		14,927
8,892	30,283		73,510
2,038	2,435		663
1,984	8,001		2,271
	565,238		695,646
203	203		
38,409	634,256		787,017
410	(47,509)		60,293
	8,192		
	973		
	12,500		
	10		
433	62,020		2,632
368	368		
500	500		
1,301	84,563		2,632
25	25		46
47	1,030		
190	190		
262	1,245		46
1,449	35,809		62,879
16	16		997
9,410	29,198		945
(1,262)	(6,327)		(566)
9,613	58,696		64,255
247,721	843,772		150,588
$ 257,334	$ 902,468	$	214,843

Statement of Cash Flows

For the Year Ended June 30, 2011 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security		State Treasurer
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition
Cash Flows from Operating Activities			
Cash receipts from federal agencies	$ 302,305	$	$
Cash receipts/premiums from interfund services provided			
Cash receipts/premiums from customers		14,352	21,764
Cash receipts from assessments	155,658		
Cash payments to suppliers for goods and services		(17,641)	(1,101)
Cash payments to employees for services		(2,536)	(235)
Cash payments for claims and benefits	(510,031)		(17,207)
Other operating cash receipts			
Other operating cash payments			
Principal and interest received on program loans			
Issuance of program loans			
Net Cash Provided by (Used for) Operating Activities	(52,068)	(5,825)	3,221
Cash Flows from Noncapital Financing Activities			
Transfers in		22,949	
Transfers out	(5,065)	(1)	
Federal grants received		1,670	
Revenues from counties		973	
Other cash receipts			
Proceeds from other governments			
Principal paid to other governments			
Net Cash Provided by (Used for) Noncapital Financing Activities	(5,065)	25,591	
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets		(14,828)	
Capital grants received		161	
Proceeds from sales of capital assets		19	
Principal paid on bonds and capital assets contracts		(3,050)	
Interest paid on bonds and capital assets contracts		(986)	
Proceeds from insurance recovery		12,500	
Net Cash Provided by (Used for) Capital and Related Financing Activities		(6,184)	
Cash Flows From Investing Activities			
Proceeds from sales of investments		62,345	88,442
Purchases of investments		(68,335)	(89,327)
Investment income	14,512	408	4,926
Net Cash Provided by (Used for) Investing Activities	14,512	(5,582)	4,041
Net Change in Cash and Cash Equivalents	(42,621)	8,000	7,262
Cash and Cash Equivalents - Beginning	416,091	22,863	17,464
Cash and Cash Equivalents - Ending	$ 373,470	$ 30,863	$ 24,726

Enterprise Funds		
Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
$	$ 302,305	$
		250,839
30,372	66,488	580,662
	155,658	
(25,458)	(44,200)	(76,242)
(10,545)	(13,316)	(14,877)
	(527,238)	(708,331)
536	536	3
(42)	(42)	
24,499	24,499	
(13,322)	(13,322)	
6,040	(48,632)	32,054
9,848	32,797	1,051
(1,150)	(6,216)	(545)
	1,670	
	973	
500	500	
770	770	
(500)	(500)	
9,468	29,994	506
(73)	(14,901)	(1,280)
	161	
43	62	
(223)	(3,273)	
(48)	(1,034)	
	12,500	
(301)	(6,485)	(1,280)
368	151,155	5,092
	(157,662)	(10,857)
430	20,276	2,980
798	13,769	(2,785)
16,005	(11,354)	28,495
24,584	481,002	292,598
$ 40,589	$ 469,648	$ 321,093

(Continued on Next Page)

Statement of Cash Flows

For the Year Ended June 30, 2011 (Expressed in Thousands)

(Continued from Previous Page)

	Business-type Activities -		
	Department of Employment Security		**State Treasurer**
	Unemployment Compensation	**Port Authority at Gulfport**	Prepaid Affordable College Tuition
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating income (loss)	$ (8,960)	$ (14,969)	$ (23,990)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		6,017	
Change in assets and liabilities:			
(Increase) decrease in assets:			
Receivables, net	(57,998)	52	
Due from other governments	1,973		
Due from other funds	(580)	(12)	
Due from component units	86		
Inventories			
Prepaid items		49	
Loans and notes receivable			
Increase (decrease) in liabilities:			
Warrants payable			(45)
Accounts payable and other liabilities	57	3,058	134
Due to other governments	2,413		(6)
Due to other funds	4,031	2	1
Due to component units			
Claims and benefits payable	4,260		27,127
Unearned revenues	2,650	(22)	
Total adjustments	(43,108)	9,144	27,211
Net Cash Provided by (Used for) Operating Activities	$ (52,068)	$ (5,825)	$ 3,221
Noncash Capital and Related Financing and Investing Activities			
Capital contributions			
Gain (loss) on disposal of capital assets		10	
Change in market value of investments		65	29,130

The accompanying notes to the financial statements are an integral part of this statement.

Enterprise Funds			
Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
$ 410	$ (47,509)	$ 60,293
1,984	8,001	2,271
(869)	(58,815)	(88)
12	1,985	(141)
1,584	992	(26,052)
10	96	(684)
35	35	
(5)	44	
3,425	3,425	
(600)	(645)	(558)
(40)	3,209	(1,631)
11	2,418	(3)
400	4,434	192
(28)	(28)	27
	31,387	(12,731)
(289)	2,339	11,159
5,630	(1,123)	(28,239)
$ 6,040	$ (48,632)	$ 32,054
16	16	997
(25)	(15)	(46)
	29,195	(248)

Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2011 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Fund	Agency Funds
Assets			
Equity in internal investment pool	$ 1,185	$ 35	$ 6,613
Cash and cash equivalents	424,626	481	33,081
Investments, at fair value:			
Short-term securities	46,966	4,615	
Debt securities	4,495,656	33,030	
Equity securities	14,945,975	61,730	
Private equity	216,256		
Real estate investments	1,308,391	5,995	
Asset allocation fund	57,901		
Fixed rate and variable	529,433		
Life insurance contracts	358	25,731	
Securities lending:			
Short-term securities	2,252,575		
Debt securities	971,036		
Receivables, net:			
Employer contributions	43,984		
Employee contributions	34,894		
Investment proceeds	190,297		
Interest and dividends	74,059	56	
Other	1,437	13	431
Due from other funds	19		
Commodity inventory			786
Capital assets:			
Land and construction in progress	4,774		
Other capital assets, net	14,720		
Total Assets	25,614,542	131,686	$ 40,911
Liabilities			
Warrants payable	132	1	$ 80
Accounts payable and accruals	256,659	141	21,711
Due to other governments			1,007
Due to other funds	35		
Amounts held in custody for others			18,113
Obligations under securities lending	3,223,865		
Total Liabilities	3,480,691	142	$ 40,911
Net Assets			
Held in trust for pension benefits and trust beneficiaries	$ 22,133,851	$ 131,544	

The accompanying notes to the financial statements are an integral part of this statement.

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2011 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Fund
Additions		
Contributions:		
Employer	$ 756,134	$
Plan participant	623,043	39,759
Total Contributions	1,379,177	39,759
Net Investment Income:		
Net change in fair value of investments	3,911,329	15,690
Interest and dividends	557,866	2,469
Securities lending:		
Income from securities lending	20,552	
Interest expense and trading costs from securities lending	(2,445)	
Managers' fees and trading costs	(42,765)	(675)
Net Investment Income	4,444,537	17,484
Other Additions:		
Administrative fees	628	120
Other	3,438	
Total Other Additions	4,066	120
Total Additions	5,827,780	57,363
Deductions		
Benefits	1,865,929	25,635
Refunds to terminated employees	88,438	
Administrative expenses	13,265	163
Depreciation	409	
Total Deductions	1,968,041	25,798
Change in Net Assets	3,859,739	31,565
Net Assets - Beginning	18,274,112	99,979
Net Assets - Ending	$ 22,133,851	$ 131,544

The accompanying notes to the financial statements are an integral part of this statement.

Statement of Net Assets

June 30, 2011 (Expressed in Thousands)

	Universities	Nonmajor	Totals
Assets			
Current assets:			
Equity in internal investment pool	$ 20,340	$ 1,949	$ 22,289
Cash and cash equivalents	353,370	17,571	370,941
Investments	115,871	34,738	150,609
Receivables, net	235,302	3,072	238,374
Due from other governments		234	234
Due from primary government	38,049	279	38,328
Inventories	25,038	1,235	26,273
Prepaid items	12,773	263	13,036
Notes receivable, net	28,644		28,644
Other assets	2,413	15	2,428
Total Current Assets	831,800	59,356	891,156
Noncurrent assets:			
Investments	420,088		420,088
Notes receivable, net	131,690		131,690
Restricted assets:			
Cash and cash equivalents	203,286		203,286
Investments	741,316	7,000	748,316
Capital assets:			
Land and construction in progress	348,175	15,974	364,149
Other capital assets, net	2,511,711	168,553	2,680,264
Other assets	27,548		27,548
Total Noncurrent Assets	4,383,814	191,527	4,575,341
Total Assets	5,215,614	250,883	5,466,497
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	155,524	4,047	159,571
Due to primary government	351	705	1,056
Deposits		667	667
Unearned revenues	58,766	566	59,332
Bonds and notes payable	23,849	40	23,889
Lease obligations payable	5,372		5,372
Other liabilities	56,260		56,260
Total Current Liabilities	300,122	6,025	306,147
Noncurrent liabilities:			
Bonds and notes payable	731,975	270	732,245
Lease obligations payable	20,232		20,232
Other liabilities	240,684	690	241,374
Total Noncurrent Liabilities	992,891	960	993,851
Total Liabilities	1,293,013	6,985	1,299,998
Net Assets			
Invested in capital assets, net of related debt	2,132,071	184,216	2,316,287
Restricted for:			
Other purposes	458,024	13,118	471,142
Permanent endowments:			
Nonexpendable	584,020		584,020
Unrestricted	748,486	46,564	795,050
Total Net Assets	$ 3,922,601	$ 243,898	$ 4,166,499

The accompanying notes to the financial statements are an integral part of this statement.

Component Units

Statement of Activities

For the Year Ended June 30, 2011 (Expressed in Thousands)

Functions/ Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Universities	Net (Expense) Revenue and Changes in Net Assets: Nonmajor	Net (Expense) Revenue and Changes in Net Assets: Total
Universities	$ 2,914,424	$ 1,375,314	$ 590,107	$ 68,938	$ (880,065)	$	$ (880,065)
Nonmajor	38,310	30,833	3,190	127		(4,160)	(4,160)
Total	$ 2,952,734	$ 1,406,147	$ 593,297	$ 69,065	(880,065)	(4,160)	(884,225)
General revenues:							
Investment income					138,157	840	138,997
Other					202,101	2,406	204,507
Payment from State of Mississippi					751,323		751,323
Contributions to permanent endowments					22,020		22,020
Total General Revenues and Contributions					1,113,601	3,246	1,116,847
Change in Net Assets					233,536	(914)	232,622
Net Assets - Beginning					3,689,065	244,812	3,933,877
Net Assets - Ending					$ 3,922,601	$ 243,898	$ 4,166,499

The accompanying notes to the financial statements are an integral part of this statement.

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Notes to the Financial Statements

June 30, 2011

Note 1 - Significant Accounting Policies

The significant accounting policies applicable to the State of Mississippi are described below.

A. Basis of Presentation - The accompanying financial statements of the State have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.

B. Financial Reporting Entity - For GAAP financial reporting purposes, the State's reporting entity includes all funds of the State's various commissions, departments, boards, elected officials, universities, and other organizational units (hereinafter referred to collectively as "agencies"). Management has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

GASB has set forth criteria to be considered in determining financial accountability. These criteria include the following considerations: 1) appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or 2) an organization is fiscally dependent on the primary government. GASB provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting, as discretely presented component units, organizations that raise and hold economic resources for the direct benefit of a government unit.

As required by GAAP, these financial statements present the primary government and its component units. Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units are combined with that of the primary government. The blended component unit is:

Public Employees' Retirement System of Mississippi - The System was created having all the powers and privileges of a public corporation for the purpose of providing pension benefits for public employees of the State and its political subdivisions. The Board of Trustees is composed of the State Treasurer, one member appointed by the Governor and eight members elected by its members. The administrative expenses are subject to legislative budget controls. Its five pension trust funds and one agency fund are reported as part of the State using the blended component method. The funds were audited by independent auditors for the period ended June 30, 2011, and their report, dated November 30, 2011, has been issued under separate cover. The comprehensive annual financial report may be obtained by writing to Public Employees' Retirement System, Accounting Department, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Discretely presented component units, which are legally separate from the State, are reported in a separate column of the government-wide financial statements. The State reports the following major discretely presented component unit:

Universities - The Board of Trustees of State Institutions of Higher Learning (IHL), appointed by the primary government, consists of Alcorn State University, Delta State University, Jackson State University, Mississippi State University, Mississippi University for Women, Mississippi Valley State University, the University of Southern Mississippi, and the University of Mississippi. IHL is a body politic and corporate. The State provides financial support to IHL through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Universities are the financial data of their significant fund-raising foundations. Because the restricted resources held by the foundations can only be used by, or for the benefit of, the specific universities, the foundations are considered component units of the Universities.

The State reports the following nonmajor discretely presented component units:

Mississippi Business Finance Corporation - This is a public corporation which is an incorporated certified development company. The Mississippi Business Finance Corporation (MBFC) is a legally separate entity. The primary government is not able to impose its will on MBFC and there is not a financial benefit/burden relationship. However, MBFC and the State work together, providing support, one to the other, in developing the State economically. Therefore, it would be misleading not to include this entity as a discretely presented component unit.

Mississippi Coast Coliseum Commission - This is a political subdivision of the State. Expenditures are subject to legislative budget approvals. The commission is responsible for establishing, promoting, developing, locating, constructing, maintaining and operating a multi-purpose coliseum and related facilities within Harrison County, Mississippi.

Mississippi Development Bank - This is a legally separate entity created and established as a body corporate and politic. The primary government is not able to impose its will on the bank and there is not a financial benefit/burden relationship. However, the bank and the State work together, providing support, one to the other, in developing the State economically. Therefore, it would be misleading not to include this entity as a discretely presented component unit.

Mississippi Prison Industries Corporation - This is a non-profit corporation created and established as a body politic and corporate, to lease and manage the prison industry programs of the Mississippi Correctional Industries. The primary government is not able to impose its will on the corporation and there is not a financial benefit/burden relationship. However, because Prison Industries utilizes state inmates for their workforce, leases state property at below market value and may receive state appropriations for funding, it would be misleading not to include the corporation as a discretely presented component unit.

Pat Harrison Waterway District - This agency is a body politic and corporate. Expenditures are subject to legislative budget approval. The agency is charged with the overall responsibility of providing flood relief along the Pascagoula River and its tributaries and to preserve and protect these waters for future generations, for economic enhancement of the area and its industrial growth.

Pearl River Basin Development District - This agency is a body politic and corporate. Expenditures are subject to legislative budget approval. The agency was created for the purpose of preservation, conservation, storage and regulation of the waters of the Pearl River and its tributaries and their overflow waters for domestic, commercial, municipal, industrial, agricultural and manufacturing purposes, for recreational uses, for flood control, timber development, irrigation, navigation and pollution abatement.

Pearl River Valley Water Supply District - This agency is a body politic and corporate. Expenditures are subject to legislative budget approval. This agency operates and maintains the Ross Barnett Reservoir and surrounding district lands to provide water supply, flood reduction and recreational opportunities.

Tombigbee River Valley Water Management District - This agency is a body politic and corporate. Expenditures are subject to legislative budget approval. This agency provides for a plan of conservation, recreation, water control and utilization, agricultural development and industrial and economic advancement within the district.

The discretely presented component units are audited by independent auditors, and their financial statements are issued under separate covers. The audited financial statements are available from each discretely presented component unit.

State officials are also responsible for appointing the members of the boards of other related organizations, but the primary government's accountability for these related organizations does not extend beyond making the appointments. These related organizations are Mississippi Hospital Equipment and Facilities Authority, Mississippi Home Corporation and Mississippi Industries for the Blind.

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Assets and Statement of Activities report information on all nonfiduciary activities of the primary government and its component units. The primary government is further subdivided between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets is a statement of position, which presents all of the State's nonfiduciary assets and liabilities, with the difference reported as net assets. GAAP requires that net assets be subdivided into three categories:

Invested in capital assets, net of related debt - capital assets net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets - assets, less any related liabilities, restricted externally by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - assets that are not classified as invested in capital assets, net of related debt or restricted net assets.

The Statement of Activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, thus, are clearly identifiable to a particular function. Certain indirect costs have been included as part of the program expenses reported for the various functions and activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. General revenues include taxes and any sources of revenue that are not reported as program revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and component units. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements and the financial statements of the proprietary funds and fiduciary funds (excluding agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus, but use the accrual basis of accounting.

The State's enterprise funds and business-type activities apply all applicable GASB pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of proprietary funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available to finance operations of the current fiscal year. Available means collectible within the current year or soon enough after fiscal year end to liquidate liabilities existing at the end of the fiscal year. The State considers revenues received within 60 days after fiscal year end as available. Significant revenue sources that are susceptible to accrual include sales taxes, individual income taxes, corporate income taxes and federal grants. Licenses, fees, permits and other miscellaneous revenues are recognized when received since they normally are measurable only at that time. Expenditures and related fund liabilities are recognized upon receipt of goods and services.

The State reports the following major governmental funds:

The General Fund is the principal operating fund of the State. It accounts for transactions related to resources obtained and used for those services traditionally provided by a state government, which are not required to be accounted for in other funds. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements.

The State reports the following major enterprise funds:

The Unemployment Compensation Fund accounts for the collection of unemployment insurance assessments from employers and the payment of unemployment benefits to eligible claimants. Funds are also provided by the federal government and investment income.

The Port Authority at Gulfport Fund accounts for operations of a public port providing facilities for foreign and domestic trade. Funding is provided by gross receipts from port operations, proceeds from bond issues and investment income. Expenses include port operation, construction and the payment of maturing bond interest and principal.

The Prepaid Affordable College Tuition Fund accounts for operations of a prepaid college tuition program. Funding is provided by the purchasers' specified actuarially determined payments and investment income.

Additionally, the State reports the following fund types:

Governmental Funds:

Special Revenue Funds account for transactions related to resources obtained from specific revenue sources that are restricted or committed to expenditures for specific purposes such as, certain federal grant programs and taxes levied with statutorily defined distributions.

The Capital Projects Fund accounts for transactions related to resources obtained and used for acquisition, construction or improvement of major capital facilities and other capital assets. Such resources are derived principally from proceeds of general obligation bond issues and transfers from the General Fund.

Permanent Funds account for transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry.

Proprietary Funds:

Enterprise Funds account for operations where the intent of the State is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic measurement of the results of operations is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds account for the operations of state agencies that render services and provide goods to other state agencies or governmental units on a cost-reimbursement basis. These activities include personnel services, information technology and risk management. In the government-wide financial statements, Internal Service Funds are included with governmental activities.

Fiduciary Funds:

Pension Trust Funds account for transactions, assets, liabilities and net assets available for plan benefits of the State's Public Employee Retirement Systems and the State's Deferred Compensation Plan.

Private-purpose Trust Fund accounts for operations of a college savings program under Section 529 of the Internal Revenue Code. Funding is provided by participants' contributions and investment earnings.

Agency Funds account for funds distributed to the various counties and municipalities of the state; for receipt of various taxes, refundable deposits, inventories, and other monies collected or recovered to be held until the state has the right or obligation to distribute them to state funds or to various entities or individuals; and for deposits to various institutional accounts and other receipts held by the state until there is proper authorization to disburse them directly to others.

E. Equity in Internal Investment Pool and Cash and Cash Equivalents - Equity in internal investment pool is cash equity with the Treasurer and consists of pooled demand deposits and investments recorded at fair value. Cash and cash equivalents include bank accounts, petty cash, money market demand accounts, money market mutual funds and certificates of deposit with a maturity date within 90 days of the date acquired by the State.

In accordance with IHL policy, all highly liquid investments with an original maturity date of three months or less are included as cash and cash equivalents for the Universities, a major component unit.

F. Investments - Investments, including any land or other real estate held as investments by endowments, are recorded at fair value with all investment income, including changes in the fair value of investments, reported as revenue in the financial statements. Income from short-term interest bearing securities is recognized as earned. Changes in the fair value of investment derivative instruments, including derivative instruments that are determined to be ineffective as hedges, are reported as investment income in the government-wide Statement of Activities.

Investments of the pension trust funds are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit ratings. Mortgage securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Short-term investments are reported at fair value when published prices are available, or at cost plus accrued interest, which approximates fair value. The fair value of commingled real estate investment funds is based on independent appraisals, while Real Estate Investment Trusts (REIT) traded on a national or international exchange are valued at the last reported sales price at current exchange rates. For individual investments where no readily ascertainable fair value exists, the Public Employees' Retirement System, in consultation with its investment advisors and custodial bank, has determined the fair values.

G. Receivables - Receivables represent amounts due to the State for revenues earned that will be collected sometime in the future. Amounts expected to be collected in the next fiscal year are classified as "current" and amounts expected to be collected beyond the next fiscal year are classified as "noncurrent." Receivables are reported net of allowances for uncollectible accounts where applicable.

H. Interfund Activity - In general, eliminations have been made to minimize the double-counting of internal activity, including internal service fund type activity on the government-wide financial statements. Excess revenues or expenses from the internal service funds have been allocated to the appropriate function originally charged for the internal sale as part of this process. However, interfund services, provided and used between different functional categories, have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions. Transfers between governmental and business-type activities are reported at the net amount on the government-wide financial statements.

In the fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund. Reimbursements of expenditures/expenses made by one fund for another are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/ expenses in the reimbursed fund. Transfers represent flows of assets between funds of the primary government without equivalent flows of assets in return and without a requirement for payment.

I. Interfund Balances - Interfund receivables and payables have been eliminated from the government-wide Statement of Net Assets, except for the residual amounts due between governmental and business-type activities. Fiduciary funds' receivables and payables have been reclassed to accounts receivable and accounts payable, respectively, on the government-wide Statement of Net Assets.

J. Inventories and Prepaid Items - Inventories of supplies and materials are stated at cost, generally using the first-in, first-out method. Cost of inventories held for use by the Department of Transportation is determined by the weighted average method. Inventories of supplies and materials of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

K. Restricted Assets - Proprietary fund and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

L. Capital Assets - Capital assets are reported, net of depreciation, in the applicable governmental or business-type activities columns in the government-wide financial statements. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their fair market value on the date of donation. Classes of capital assets and their related capitalization thresholds are: land - cost or fair market value on the date of donation, software - $1,000,000, buildings - $50,000, land improvements - $25,000, machinery and equipment - $5,000, infrastructure - $100,000, and construction in progress - based on the project's class. Infrastructure acquired prior to July 1, 1980 is not reported in the basic financial statements. The costs of normal maintenance and repairs that do not add to the value of capital assets or materially extend their respective lives are not capitalized. Interest expenditures are not capitalized on capital assets.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the estimated service lives of the respective assets. Estimated service lives include 5 to 15 years for software, 40 years for buildings, 20 years for land improvements, 5 to 15 years for machinery and equipment, 3 years for computer equipment, 5 to 15 years for heavy and outdoor equipment, and 3 to 10 years for vehicles. The estimated service life varies from 8 to 50 years for infrastructure, based on the individual asset.

The State owns various collections, works of art and historical treasures that have not been capitalized because they are held for public exhibition, education or research, and are protected and preserved. The proceeds from sales of such items are used to acquire other items for the collections. These collections include paintings, photographs, various objects of art, historical and scientific artifacts, antique furniture, clothing, books, and relics.

M. Claims and Benefits Payable - In the government-wide and proprietary fund financial statements, a liability for an insurance claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable.

In the Prepaid Affordable College Tuition Fund (a major proprietary fund), claims and benefits payable represents the actuarially determined present value of future tuition obligations. In the Unemployment Compensation Fund (a major proprietary fund), claims and benefits payable represents amounts incurred prior to the reporting date.

N. Accumulated Unpaid Personal Leave and Major Medical Leave - State law authorizes payment for a maximum of 30 days accrued personal leave in a lump sum upon termination of employment. No payment is authorized for accrued major medical leave unless employees present medical evidence that their physical condition is such that they can no longer work in a capacity of state government.

The State's obligation for accumulated unpaid personal leave, up to the maximum of 30 days per employee, is reported as "Other Liabilities" in the government-wide financial statements, as well as proprietary and fiduciary fund financial statements. In the governmental funds, only the amounts that normally would be liquidated with expendable available financial resources are accrued as current year expenditures. The State uses the last-in, first-out method of recognizing use of compensated absences. The reported liability applicable to all funds includes the related fringe benefits that the State as employer is required to pay when the accrued compensated absences are liquidated.

Accumulated unpaid major medical leave is not accrued, except in the Universities, because it is not probable that the compensation will be paid in a lump sum other than in the event of severe illness. However, state law authorizes the Universities to make payment for a maximum of 30 days in a lump sum upon termination of employment for nine-month faculty members eligible to receive retirement benefits.

O. Deferred and Unearned Revenues - In the government-wide and proprietary fund financial statements, unearned revenues are recognized when assets are received prior to being earned. Unearned revenues are also recognized in the governmental fund financial statements as well as deferred revenues, which are recognized when revenues are unavailable.

P. Net Assets/Fund Balance - The difference between fund assets and liabilities is "Net Assets" on government-wide, proprietary, and fiduciary funds financial statements and "Fund Balance" on governmental funds financial statements. Fund balances of governmental funds are classified as:

Nonspendable - amounts that cannot be spent because they are not in a spendable form (not expected to be converted to cash) or are legally required to be maintained intact. Examples include inventories and permanent fund principal.

Restricted - amounts where legally enforceable constraints are imposed by an external party such as a grantor, or by the constitution, or by the State Legislature at the same time the revenue is created.

Committed - amounts where constraints are imposed by formal action of the State Legislature, the highest decision-making authority, which cannot be used for any other purpose unless the State Legislature removes or changes the specified use. These constraints are imposed separately from the creation of the revenue.

Assigned - amounts where constraints are imposed on the use of resources through the intent of the State Legislature or by its delegation to each agency director.

Unassigned - the residual amount of the General Fund, which is the only fund that reports a positive unassigned fund balance.

When an expenditure is incurred for purposes in which all classifications of spendable fund balance are available, it is the State's general policy to use the fund balances in the following order: restricted, committed, assigned, and unassigned.

Q. Federal Grants - Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

R. Bond and Note Premiums/Discounts - Bond and note proceeds, premiums and discounts are reported as an other financing source or use in the governmental fund financial statements. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. In the government-wide and proprietary fund financial statements, bond and note premiums and discounts, as well as issuance costs and refunding charges (the difference between the carrying amount of redeemed/defeased debt and its reacquisition price), are deferred and amortized over the life of the bonds and notes using the straight-line method. Bonds and notes payable are reported net of the applicable unamortized bond and note premium, discount or refunding charge while bond and note issuance costs are reported as deferred charges.

S. Changes in Accounting Standards - The State implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in the current fiscal year. The provisions of this standard have been incorporated into the financial statements and the notes.

Note 2 - Other Accounting Disclosures

A. Net Assets Restricted by Enabling Legislation - The State's net assets restricted by enabling legislation represent resources which a party external to government – such as citizens, public interest groups, or the judiciary – can compel the government to use only for the purpose specified by the legislation. The government-wide statement of net assets reports $3,913,905,000 of restricted net assets, of which $630,665,000 is restricted by enabling legislation.

B. Deficit Net Assets - At June 30, 2011, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has deficit net assets of $62,037,000. The deficit is a result of actuarial accruals of benefits exceeding tuition receipts. The Department of Corrections Restaurants and Commissary Fund (a nonmajor enterprise fund) has deficit net assets of $4,000, which resulted from legally mandated transfers out of net profit from operations.

C. Working Cash Stabilization Reserve Account - The Budget Reform Act of 1992 created the Working Cash Stabilization Reserve Account (Account) and required that 100% of the unencumbered General Fund cash balance be deposited into the Account at the close of each fiscal year until the balance reaches $40,000,000. Thereafter, 50% of the unencumbered General Fund ending cash balance must be deposited into the Account until it reaches 7.5% of General Fund appropriations for the current fiscal year. As required by law, the Account is not considered as a surplus or available funds when adopting a balanced budget. The Account balance, in excess of $40,000,000, may be permanently transferred to the General Fund to cover deficits up to a maximum of $50,000,000 in any one fiscal year. These transfers are restored to the Account out of future annual General Fund ending cash balances until the 7.5% maximum is again attained. At June 30, 2011, the Account, as reported in the General Fund, has an unassigned fund balance of $175,538,000.

D. Restatement of Fund Balances/Net Assets - During fiscal year 2011, the State implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classifications and clarifying existing governmental fund type definitions. Governmental fund balances were analyzed and several funds were reclassified. As part of the analysis, one fund moved from the General Fund to Agency funds leaving a net change in fund balances/net assets of $149,000. The following table summarizes these reclassifications (amounts expressed in thousands):

	June 30, 2010 as previously reported	Fund Reclassifications	June 30, 2010 as restated
Governmental Funds			
General	$ 2,708,794	$ 206,645	$ 2,915,439
Nonmajor Funds:			
Special Revenue	628,521	(209,474)	419,047
Capital Projects	323,080		323,080
Permanent	57,420	2,680	60,100
Total Fund Balances	$ 3,717,815	$ (149)	$ 3,717,666
Governmental Activities			
Invested in capital assets, net of related debt	$ 11,408,744	$	$ 11,408,744
Restricted	655,192		655,192
Unrestricted	(267,619)	(149)	(267,768)
Total Net Assets	$ 11,796,317	$ (149)	$ 11,796,168

Note 3 - Interfund Transactions

At June 30, 2011, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

	Due To							
Due From	General	Nonmajor Governmental	Internal Service	Unemployment Compensation	Port Authority at Gulfport	Nonmajor Enterprise	Fiduciary Funds	Total
Governmental:								
General	$	$ 8,733	$ 28,389	$	$ 1,430	$ 2,002	$	$ 40,554
Nonmajor Governmental	6,549		1,360	534	8,774	1		17,218
Internal Service	626	69	169	750		129		1,743
Proprietary:								
Unemployment Compensation	388	4,171						4,559
Port Authority at Gulfport			1					1
Prepaid Affordable College Tuition	1							1
Nonmajor Enterprise	1,164		416					1,580
Fiduciary	1		15				19	35
Total	$ 8,729	$ 12,973	$ 30,350	$ 1,284	$ 10,204	$ 2,132	$ 19	$ 65,691

Interfund receivables and payables are the results of 1) timing differences between the date expenses/expenditures occur and the date payments are made and 2) the accrual of tax distributions for taxes collected in the following fiscal year.

At June 30, 2011, amounts due from/to primary government and component units consisted of (amounts expressed in thousands):

	Due To					
	Primary Government			Component Units		
Due From	General	Internal Service	Nonmajor Enterprise	Universities	Nonmajor	Total
Primary Government:						
General	$	$	$	$ 35,941	$ 245	$ 36,186
Nonmajor Governmental				2,106		2,106
Internal Service				2	32	34
Nonmajor Enterprise					2	2
Component Units:						
Universities	273	74	4			351
Nonmajor		705				705
Total	$ 273	$ 779	$ 4	$ 38,049	$ 279	$ 39,384

Amounts due to and due from the primary government and component units are the results of timing differences between the date expenses/expenditures occur and the date payments are made.

At June 30, 2011, interfund transfers consisted of (amounts expressed in thousands):

	Transfer To					
Transfer From	General	Nonmajor Governmental	Internal Service	Port Authority at Gulfport	Nonmajor Enterprise	Total
Governmental:						
General	$	$ 58,202	$ 629	$ 19,508	$ 9,400	$ 87,739
Nonmajor Governmental	71,073	2,519	316	280	9	74,197
Internal Service	118	448				566
Proprietary:						
Unemployment Compensation		5,065				5,065
Nonmajor Enterprise	1,261				1	1,262
Total	$ 72,452	$ 66,234	$ 945	$ 19,788	$ 9,410	$ 168,829

Interfund transfers are primarily used to 1) move revenues from funds required to collect them to funds required to expend them, 2) use revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) transfer capital facility construction and debt service expenditures to the funds making the payments.

Note 4 - Deposits and Investments

The State Treasurer maintains a cash and short-term investment pool for all state treasury funds and for investments of certain other state agencies. In addition, the Public Employees' Retirement System (the System), and a small number of other agencies carry out investment activities separate from the State Treasurer. A discussion of statutory authority for these investments follows.

The State Treasurer is authorized to invest all excess treasury funds of the state under Section 27-105-33, Mississippi Code Ann. (1972). Funds in the Working Cash-Stabilization Reserve Account and the Education Improvement Trust Account are invested by the State Treasurer as authorized by Sections 27-103-203 and 7-9-103, respectively, Mississippi Code Ann. (1972).

As a result of the settlement of the State's lawsuit against tobacco companies in 1999, Section 43-13-409, Mississippi Code Ann. (1972) created the Health Care Trust Fund Board (the Board). This code designates the State Treasurer as chairman and gives the Board investment authority.

The System is authorized to invest funds under Section 25-11-121, Mississippi Code Ann. (1972). All investments are governed by the Board of Trustee's policy of the prudent person rule. The prudent person rule establishes a standard for all fiduciaries, to act as a prudent person would be expected to act, with discretion and intelligence, while investing for income and preservation of principal.

Primary Government Deposits (except for the System)

Section 27-105-5, Mississippi Code Ann. (1972) authorizes the State Treasurer to implement a statewide collateral pool program which secures all state and local public funds deposits through a centralized system of pledging securities to the State Treasurer. The program requires the State Treasurer as pledgee of all public funds to monitor the security portfolios of approved financial institutions and ensure public funds are adequately secured.

Section 27-105-5, Mississippi Code Ann. (1972) establishes the requirements for a financial institution to be approved as a qualified public funds depository. Generally, financial institutions make annual application to the State Treasurer for state funds by signing a contract and supplying the financial report as provided to its regulatory authority to assure the statutory required 5.5 percent primary capital to total assets ratio. When so approved by the State Treasurer, the financial institution is required to place on deposit with the State Treasurer collateral equal to at least 105 percent of the amount of public funds on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). Collateral may be held by a third party custodian, with approval of the State Treasurer, if conditions are met which protect the State's interests.

Sections 27-105-5 and 27-105-6, Mississippi Code Ann. (1972) establish a public funds guaranty pool administered by the Guaranty Pool Board and the State Treasurer. The Guaranty Pool Board is composed of the State Treasurer, Commissioner of Banking and Consumer Finance, five members nominated by the Mississippi Bankers Association, one member nominated by the Mississippi Supervisors Association, and one member nominated by the Mississippi Municipal League. The Guaranty Pool Board is responsible for reviewing and recommending criteria to be used by the State Treasurer in order to protect public deposits and the depositories in the guaranty pool program.

Sections 27-105-5 and 27-105-6, Mississippi Code Ann. (1972) establish criteria for a financial institution that has been in existence for three years or more to be approved as a qualified public funds depository and a public funds guaranty pool member. Potential guaranty pool members must submit an application and supply financial information to the State Treasurer as provided to its regulatory authority to verify the institution meets certain financial criteria established in the law. In addition to the requirements in the law, the Guaranty Pool Board has established additional membership requirements pursuant to its statutory authority. Once approved as a member of the public funds guaranty pool, the members must submit quarterly financial information to the State Treasurer. The Guaranty Pool Board uses this information to monitor the financial status of each member and the fiscal soundness of the guaranty pool.

Under the criteria established by the Guaranty Pool Board, an approved guaranty pool member must meet the 105 percent security requirement by depositing eligible collateral with the State Treasurer (or an approved custodian). The agreement provides that if a loss to a public depositor in the guaranty pool is not covered by deposit insurance and the proceeds from the sale of securities pledged by the defaulting depository, the difference will be provided by an assessment against other guaranty pool members on a pro rata basis.

Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the government will not be able to recover deposits or collateral securities that are in the possession of an outside party. Of the statewide collateral pool cash deposits reported by the financial institutions as of June 30, 2011, $164,707,000 was uninsured and uncollateralized. Of the primary government's cash deposits, which are not included in the statewide collateral pool, excluding the System as of June 30, 2011, $145,000 was uninsured and uncollateralized, and $112,265,000 was uninsured and collateral held by the pledging financial institution's trust department or agent was not in the government's name.

Primary Government Investment Policies (except for the System)

The State Treasurer is authorized to invest all funds in the state pool in the following:

Certificates of deposit or term repurchase agreements with approved financial institutions, banks and savings associations domiciled in Mississippi;

Repurchase agreements and securities lending transactions (with at least 80 percent of the total dollar amount with qualified state depositories);

Direct U.S. Treasury obligations fully guaranteed by the U.S Government;

U.S. Government agency, U.S. Government instrumentality, or U.S. Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by U.S. Government, U.S. Government agency, U.S. Government instrumentality, or U.S. Government sponsored enterprise, not to exceed 50 percent of total investments with maturities of 30 days or longer. During the year, these investments exceeded the limit imposed by the statute. On September 7, 2008, Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) were placed into conservatorship by the U.S. government, lending an additional level of security to these investments. The Agency bonds purchased over and above the statutory limitation were purchased in lieu of Treasury bonds that were offered at substantially lower yields. As Congress debates possible reforms to FHLMC and FNMA, the risk position of the portfolio will continue to be monitored to ensure that funds are invested in a manner consistent with the risk limitations intended by the statute. Whatever identity FHLMC and FNMA assume post-conservatorship will be evaluated in light of the statute and the appropriate limitations to the asset allocation will be imposed; and

Any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 U.S.C. Section 80(a)-1 et seq., provided that the portfolio is limited to direct obligations issued by the U.S. (or its agencies, instrumentalities or sponsored enterprises) and to repurchase agreements fully collateralized by direct obligations of the U.S. (or its agencies, instrumentalities or sponsored enterprises). The total dollar amount of funds invested in all open-end and closed-end management type companies and investment trust cannot exceed 20 percent of total investments. Not more than $500,000 may be invested with foreign financial institutions.

The State Treasurer, for the Working Cash-Stabilization Reserve Account and the Education Improvement Trust Account; and the Board are authorized to invest in the following:

Bonds, notes, certificates and other valid general obligations of the State, or of any county, city, or supervisor's district of any county of the State;

School district bonds of the State;

Notes or certificates of indebtedness issued by the Veterans' Home Purchase Board, not to exceed five percent of total investments;

Highway bonds of the State;

Corporate bonds of Grade A or better as rated by Standard & Poor's Corporation (S&P) or by Moody's Investors Service. The Board may invest in corporate bonds of Grade BBB/Baa or better as rated by S&P or by Moody's Investors Service;

Short-term obligations of corporations, or of wholly-owned subsidiaries of corporations, whose short-term obligations are rated A-3 or better by S&P or rated P-3 or better by Moody's Investors Service;

Bonds of the Tennessee Valley Authority;

Bonds, notes, certificates and other valid obligations of the U.S. or any federal instrumentality that issues securities under authority of an act of Congress and are exempt from registration with the U.S. Securities and Exchange Commission (SEC);

Bonds, notes, debentures and other securities issued by any federal instrumentality and fully guaranteed by the U.S.; and

Interest-bearing bonds or notes which are general obligations of any other state in the U.S. or any city or county therein, provided such city or county had a population as shown by the federal census next preceding such investment of not less than 25,000 inhabitants, and provided that such state, city, or county has not defaulted for a period longer than 30 days in the payment of principal or interest on any of its general obligation indebtedness during a period of ten calendar years immediately preceding such investment.

In addition, the Board is authorized to invest in the following:

Bonds rated A or better, stocks and convertible securities of established non-U.S. companies which are listed on primary national stock exchanges of foreign nations and foreign government securities rated A or better by a recognized rating agency. The Board is authorized to hedge such transactions through foreign banks and generally deal in foreign exchange through the use of foreign currency, interbank forward contracts, futures contracts, options contracts, swaps and other related derivative instruments;

Shares of stock, common and/or preferred, of corporations created by or existing under the laws of the U.S. or any state, district or territory thereof;

Covered call and put options on securities traded on one or more of the regulated exchanges;

Pooled or commingled funds managed by a corporate trustee or by a SEC registered investment advisory firm and shares of investment companies and unit investment trusts registered under the Investment Company Act of 1940, where such pooled or commingled funds or shares are comprised of common or preferred stocks, bonds, money market instruments or other authorized investments; and

Pooled or commingled real estate funds or real estate securities managed by a corporate trustee or by a SEC registered investment advisory firm retained as an investment manager by the Board.

Primary Government Investments (except for the System)

A. Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The primary government follows the statutes as previously discussed as its policy for limiting exposure to credit risk. The Moody's or S&P credit ratings for the primary government's investments as of June 30, 2011 are as follows (amounts expressed in thousands):

	Quality Ratings					
Investment Type	**Aaa/AAA**	**Aa/AA**	**A/A**	**Baa/BBB**	**Ba/BB**	**Not Rated**
Asset backed securities	$ 2,769	$	$	$	$	$
Collateralized mortgage obligations	476	682	483			449,089
Corporate bonds	1,840	4,439	20,282	4,075	198	197
Guaranteed investment contracts		29,050	135,581			
Mortgage pass-throughs						151,103
Mutual funds	121,876					37,645
State and local obligations	656	4,514	1,157	675		30
U.S. Government agency obligations	1,288,785					
Total	$ 1,416,402	$ 38,685	$ 157,503	$ 4,750	$ 198	$ 638,064

B. Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The primary government has no formal policy on limiting exposure to interest rate risk. As of June 30, 2011, the primary government had the following investments and maturities (amounts expressed in thousands):

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
Asset backed securities	$ 2,769	$	$ 2,769	$	$
Collateralized mortgage obligations	820,635		2,756	37,477	780,402
Corporate bonds	31,717	2,491	18,350	5,925	4,951
Guaranteed investment contracts	164,631		151,202		13,429
Mortgage pass-throughs	132,648	610	11,552	49,886	70,600
Mutual funds	159,521	126,491	3,509	29,521	
Other pass-through securities	245,261	17	971	116,324	127,949
State and local obligations	7,031	562	4,087	743	1,639
U.S. Government agency obligations	1,292,643	58,945	1,224,926	1,291	7,481
U.S. Treasury obligations	49,752	5,652	37,109	5,727	1,264
Zero coupon bonds	2,953		2,165	788	
Total	$ 2,909,561	$ 194,768	$ 1,459,396	$ 247,682	$ 1,007,715

Collateralized mortgage obligations (CMOs) are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with that CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly sensitive to interest rate fluctuations.

Asset backed securities (ABS) are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other credit providers. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Similar to CMOs, ABS have been structured as pass-throughs and as structures with multiple bond classes.

Mortgage pass-through securities are issued by the FNMA, FHLMC, and Government National Mortgage Association (GNMA). These investments are backed by mortgage loans in which the borrowers have the option of prepaying.

C. Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Board limits non-U.S. investments to 20 percent of total investments. The primary government's exposure to foreign currency risk at June 30, 2011, is as follows (amounts expressed in thousands):

Currency	Cash and Equivalents	Equities	Total Fair Value
Australian dollar	$	$ 4,303	$ 4,303
Brazilian real		884	884
British pound sterling		11,613	11,613
Canadian dollar		481	481
Euro	11	16,399	16,410
Hong Kong dollar		3,122	3,122
Israeli new shekel		923	923
Japanese yen		7,818	7,818
Malaysian ringgit		1,246	1,246
New Taiwan dollar	10	968	978
New Zealand dollar		334	334
Norwegian krone		563	563
Russian ruble		398	398
Singapore dollar		1,217	1,217
Swedish krona		887	887
Swiss franc		5,881	5,881
Total	$ 21	$ 57,037	$ 57,058

D. Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The primary government limits investment in the Veteran's Home Purchase Board notes or certificates to not more than five percent of total investment holdings. By statute, the Board's investments in stocks of any one corporation are limited to not more than three percent of the book value of their assets. The primary government has the following investments that represent more than five percent of net investments (amounts expressed in thousands):

Federal Home Loan Bank	$ 276,664	7.25 %
Federal Home Loan Mortgage Corporation	535,030	14.02
Federal National Mortgage Association	702,480	18.40
Federal Farm Credit Bank	310,094	8.12

E. Investment Derivative Instruments - During fiscal year 2011, the State issued fixed rate notes to refund variable rate notes which had an associated interest rate swap agreement. The swap agreement was an ineffective hedging derivative instrument as a result of a termination at the time of the refunding. The termination resulted in an investment loss of $21,155,000 in the Statement of Activities.

System Deposits

Section 25-11-121, Mississippi Code Ann. (1972), requires the System's Board of Trustees to determine the degree of collateralization necessary for both foreign and domestic demand deposits in addition to that which is guaranteed by federal insurance programs. These statutes also require that, when possible, the types of collateral securing deposits be limited to securities in which the System itself may invest. The Board of Trustees has established a policy to require collateral equal to at least 100 percent of the amount on deposit in excess of that which is guaranteed by federal insurance programs to the credit of the System for domestic demand deposit accounts. No collateral is required for foreign demand deposit accounts, and at June 30, 2011, the System had no deposits in foreign demand deposit accounts.

For deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Section 25-11-121, Mississippi Code Ann. (1972), provides that the deposits of the System in any U.S. bank shall, where possible, be safeguarded and guaranteed by the posting of bonds, notes, and other securities as security by the depository. The System's Board of Trustees has formally adopted a short-term investment policy that requires that the market value of securities guaranteeing the deposits shall at all times be equal to 100 percent of the amount of funds on deposit.

System Investment Policies

The System is authorized to invest in the following:

Bonds, notes, certificates and other valid general obligations of the State, or of any county, city, or supervisor's district of any county of the State;

School district bonds of the State;

Notes or certificates of indebtedness issued by the Veterans' Home Purchase Board, not to exceed five percent of total investments;

Highway bonds of the State;

Corporate bonds rated by S&P or by Moody's Investors Service;

Short-term obligations of corporations, or of wholly-owned subsidiaries of corporations, whose short-term obligations are rated A-3 or better by S&P or rated P-3 or better by Moody's Investors Service;

Bonds of the Tennessee Valley Authority;

Bonds, notes, certificates and other valid obligations of the U.S. or any federal instrumentality that issues securities under authority of an act of Congress and are exempt from registration with the SEC;

Bonds, notes, debentures and other securities issued by any federal instrumentality and fully guaranteed by the U.S.;

Bonds, stocks, and convertible securities of established foreign companies that are listed on primary national stock exchanges of foreign nations and foreign government securities. The System is authorized to hedge such transactions through foreign banks and generally deal in foreign exchange through the use of foreign currency, interbank forward contracts, futures contracts, options contracts, swaps and other related derivative instruments;

Interest-bearing bonds or notes that are general obligations of any other state in the U.S. or any city or county therein, provided such city or county had a population as shown by the federal census next preceding such investment of not less than 25,000 inhabitants, and provided that such state, city, or county has not defaulted for a period longer than 30 days in the payment of principal or interest on any of its general obligation indebtedness during a period of ten calendar years immediately preceding such investment;

Shares of stock, common and/or preferred, of corporations created by or existing under the laws of the U.S. or any state, district or territory thereof;

Covered call and put options on securities traded on one or more of the regulated exchanges;

Pooled or commingled funds managed by a corporate trustee or by a SEC registered investment advisory firm and shares of investment companies and unit investment trusts registered under the Investment Company Act of 1940, where such pooled or commingled funds or shares are comprised of common or preferred stocks, bonds, money market instruments or other authorized investments;

Pooled or commingled real estate funds or real estate securities managed by a corporate trustee or by a SEC registered investment advisory firm retained as an investment manager by the System. Section 25-11-121, Mississippi Code Ann. (1972), allows the System to invest up to ten percent of the total portfolio in real estate only via real estate securities and commingled funds. Direct ownership of real estate assets is prohibited. The portfolio is divided between core commingled and value added real estate fund investments, which directly invest in properties, and in managed portfolios of Real Estate Investment Trusts (REITs). REITs are exchange traded securities that provide indirect exposure to real estate properties and real estate management companies. Fair values of commingled fund properties are based on the most recent independent appraisal values. Independent appraisal firms which are Members of Appraisal Institute (MAI) are required to conduct valuations at least annually; and

Up to ten percent of the total book value of investments can be types of investments not specifically authorized by this section, if the investments are in the form of a separate account managed by a SEC registered investment advisory firm retained as an investment manager by the Board of Trustees, or a limited partnership, or commingled fund.

System Investments

A. Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System follows the statutes as previously discussed as its policy for limiting exposure to credit risk. The Board of Trustees has adopted a short-term investment policy which further restricts commercial paper to be of corporations with long-term debt to be rated A or better by S&P or Moody's, and whose short-term obligations are of A-2 or P-2 or better ratings by S&P and Moody's, respectively. This applies to all short-term investments. In addition to the short-term investment policy, a policy adopted for the internally-managed short-term account requires that for any amount above the established core of $30 million, no more than 25 percent may be invested in any issue having a rating lower than AA or A1/P1. Credit risk for derivatives results from the same considerations as other counterparty risk assumed by the System. Policy requires that the credit quality of the underlying asset must be rated A or better by Moody's or S&P. The lending agent is permitted to purchase asset-backed securities for the cash collateral fund that are only AAA rated.

The Moody's or S&P credit ratings for the System's investments as of June 30, 2011 are as follows (amounts expressed in thousands):

	Quality Ratings					
Investment Type	**Aaa/AAA**	**Aa/AA**	**A/A**	**Baa/BBB**	**Ba/BB**	**B/B**
Asset backed securities	$ 464,734	$ 48,865	$ 12,183	$ 14	$ 9,530	$ 19
Collateralized mortgage obligations	356,184	20,205	65,181	49,128	1,593	8,548
Commercial paper			968,327			
Corporate bonds	93,331	342,305	579,784	496,598	161,693	70,805
Mortgage pass-throughs	464,100					
Repurchase agreements	1,252,209					
Sovereign agencies debt		285	1,572			
Sovereign governments debt		19,059	22,415	134,950	71,847	42,548
State and local obligations	1,999	36,344	47,786	4,100		
U.S. Government agency obligations	187,184		1,226			
Yankee/Global bonds	18,758	307	7,965	3,642	1,277	
Total	$ 2,838,499	$ 467,370	$ 1,706,439	$ 688,432	$ 245,940	$ 121,920

	Quality Ratings						
Investment Type	**Caa/CCC**	**Ca/CC**	**C/C**	**D/D**	**P**	**WR**	**Not Rated**
Asset backed securities	$ 2,041	$	$ 15	$	$ 44	$ 1,095	$
Collateralized mortgage obligations	16,389	5,574	14,355	1,282		330	
Commercial Paper					30,000		25,001
Corporate bonds	1,505					4	318
Sovereign governments debt							3,615
State and local obligations							2,839
Yankee/Global bonds							154
Total	$ 19,935	$ 5,574	$ 14,370	$ 1,282	$ 30,044	$ 1,429	$ 31,927

B. Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Section 25-11-121, Mississippi Code Ann. (1972), requires that all investments be clearly marked as to ownership, and to the extent possible, shall be registered in the name of the System. Within the System, the pension funds have $24,824,547,000 in investments at June 30, 2011. Of this amount, $3,200,000,000 was exposed to custodial credit risk. These are cash collateral reinvestment securities held in the name of the custodian who acquired them as the lending agent/counterparty. This is consistent with the securities lending agreement in place with the custodian.

The fair value of the System's cash collateral securities as of June 30, 2011, consisted of (amounts expressed in thousands):

Investment Type	Fair Value
Commercial paper	$ 1,023,328
Repurchase agreements	1,229,247
Corporate bonds	510,361
Asset backed securities	437,685
U.S. Government agencies	22,990
Total	$ 3,223,611

C. Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Investment Committee of the Board of Trustees evaluates the actual investment asset allocation quarterly, in accordance with the adopted phase-in policy. Based on current market conditions, the Board adjusts the allocation as necessary. The investment asset allocation policy does not limit foreign currency-denominated investments of the System. The System's exposure to foreign currency risk at June 30, 2011, is as follows (amounts expressed in thousands):

Currency	Cash and Equivalents	Equities and REITs	Debt Securities	Total Fair Value
Australian dollar	$ 1,909	$ 225,595	$	$ 227,504
Brazilian real	(5,705)	235,762	5,989	236,046
British pound sterling	1,998	819,987		821,985
Canadian dollar	895	163,000		163,895
Chilean peso	1	2,911		2,912
Columbian peso	(4,628)	2,848	6,758	4,978
Danish krone	155	33,825		33,980
Egyptian pound		32,240		32,240
Euro	(2,386)	1,246,949	9,093	1,253,656
Hong Kong dollar	264	217,862		218,126
Hungarian forint	38	14,230		14,268
Indian rupee	118	80,644		80,762
Indonesian rupiah	257	62,357		62,614
Israeli new shekel	33	11,269		11,302
Japanese yen	10,181	680,972		691,153
Malaysian ringgit	13	6,361		6,374
Mexican peso	(7,853)	51,309	11,962	55,418
New Taiwan dollar	43	103,200		103,243
New Zealand dollar	58	8,420		8,478
Norwegian krone	(1,154)	73,139		71,985
Pakistani rupee		12,287		12,287
Philippines peso	2	3,669		3,671
Polish zloty	1	6,195		6,196
Singapore dollar	781	93,771		94,552
South African rand	889	136,824	3,773	141,486
South Korean won	118	177,350		177,468
Swedish krona	624	77,741		78,365
Swiss franc	3,433	240,023		243,456
Thailand baht	44	35,026		35,070
Turkish lira	31	68,747		68,778
United Arab Emirates dirham		1,673		1,673
Total	$ 160	$ 4,926,186	$ 37,575	$ 4,963,921

D. Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System has no formal policy on limiting exposure to interest rate risk. As of June 30, 2011, the System had the following investments and maturities (amounts expressed in thousands):

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
Asset backed securities	$ 538,540	$ 455,065	$ 36,008	$ 13,472	$ 33,995
Collateralized mortgage obligations	538,769	40,670	5,504	14,973	477,622
Commercial paper	1,023,328	1,023,328			
Corporate bonds	1,746,343	145,861	836,474	513,950	250,058
Mortgage pass-throughs	517,503		873	30,621	486,009
Repurchase agreements	1,252,209	1,252,209			
Sovereign agencies debt	1,857		1,572	285	
Sovereign governments debt	294,434	4,734	69,602	110,079	110,019
State and local obligations	93,068	202	6,241	7,072	79,553
U.S. Government agency obligations	188,410	4,267	149,157	23,450	11,536
U.S. Treasury obligations	1,459,549		568,229	600,177	291,143
Yankee/Global bonds	32,103	98	15,539	9,207	7,259
Total	$ 7,686,113	$ 2,926,434	$ 1,689,199	$ 1,323,286	$ 1,747,194

During fiscal year 2011, the investments in derivatives were exclusively in asset/liability based derivatives such as interest-only (IO) strips, CMOs and ABS. The System reviews fair values of all securities on a monthly basis and prices are obtained from recognized pricing sources. Derivative securities are held, in part, to maximize yields. IO and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors which may result from a decline in interest rates. The System held IO strips valued at $5,000 at fiscal year end. The derivatives policy limits IO and PO strips to 3 percent of the investment portfolio.

CMOs are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with that CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly sensitive to interest rate fluctuations. In a declining interest rate environment, some CMOs may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. A reduction in interest payments causes a decline in cash flows and, thus a decline in the fair value of the CMO security. Rising interest rates may cause an increase in interest payments, thus an increase in the value of the security. The System held $538,769,000 in CMOs at June 30, 2011. Of this amount, $158,800,000 were tranches that are highly sensitive to future changes in interest rates. CMO residuals are prohibited under the derivatives policy.

ABS are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other credit providers. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Similar to CMOs, ABS have been structured as pass-throughs and as structures with multiple bond classes. Of the $538,540,000 in ABS held at June 30, 2011, $51,800,000 are highly sensitive to changes in interest rates. ABS which are leveraged structures or residual interests are prohibited by the derivatives policy.

At June 30, 2011, the System has invested in $517,503,000 in mortgage pass-through securities issued by the FNMA, FHLMC, and GNMA. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

E. Investment Derivatives - The System's derivatives policy limits foreign currency forwards to no more than 100 percent of the aggregate value of the portfolio securities denominated in the hedged currency. The counterparties of the foreign currency forwards have short term credit ratings of A or better as rated by the nationally recognized statistical rating organizations. The System's general policy requires that the counterparty has a long term credit rating of A or better and a short term credit rating of A1/P1 at a minimum. More specifically, the System's policy requires that all over-the-counter derivatives be rated AA or better by the nationally recognized statistical rating organizations. The counterparties of the to-be-announced securities are rated A or better by the nationally recognized statistical rating organizations except for one that was not rated. The foreign currency forwards are presented in the foreign currency risk table, and the to-be-announced securities are disclosed in the interest rate risk table by years to maturity. The investment derivative instruments outstanding as of June 30, 2011 are as follows (amounts expressed in thousands):

Investment Type	Notional Amount	Changes in Fair Value		Fair Value at June 30, 2011	
		Classification	Amount	Classification	Amount
Foreign currency forwards	$ 8,355,652	Investment income	$ (437)	Investment	$ (437)
To-be-announced securities	30,000	Investment income	(67)	Debt securities	31,122

F. Securities Lending Transactions - The Board of Trustees has authorized the System to lend its securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. The System's custodian, pursuant to a written agreement, is permitted to lend all long-term securities to authorized broker-dealers subject to the receipt of acceptable collateral. There have been no significant violations of the provisions of the agreement during the period of this statement. The System lends securities for collateral in the form of either cash or other securities. The types of securities on loan at June 30, 2011, by the System are long-term U.S. Government and agency obligations, corporate bonds, REITs, and domestic and international equities. At the initiation of a loan, borrowers are required to provide collateral amounts of 102 percent on U.S. securities and international securities denominated in the same currency of the loaned security. For international securities that are denominated in a currency other than the currency of the loaned security, 105 percent collateral is required at the initiation of the loan. In the event the collateral fair value on U.S. securities falls to less than 100 percent of the respective fair value of the securities lent, the borrower is required to provide additional collateral by the end of the next business day. In the event the collateral fair value falls below 102 percent for international same-currency transactions or 105 percent for cross-currency transactions, the borrower is required to provide additional collateral. The contractual agreement with the custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay the System income distributions by the securities' issuers while the securities are on loan. The System cannot pledge, lend, or sell securities received as collateral unless the borrower defaults. The System has contracted with its custodian to invest cash collateral received from the transfer of securities in any investment instrument authorized by Section 25-11-121, Mississippi Code Ann. (1972).

The maturities of the investments made with cash collateral generally do not match the maturities of the securities loans. All securities loans can be terminated on demand by either the System or the borrower, although the average term of these loans was 2 days at June 30, 2011. Cash collateral was invested in repurchase agreements, commercial paper, corporate bonds, U.S. Government agencies, and ABS. The weighted average effective duration of all collateral investments at June 30, 2011, was 20 days with a weighted average maturity of 20 days.

Securities lent at year end for cash collateral are presented by type. Securities lent for securities collateral are classified according to the custodial credit risk category for the collateral. There were no securities lent for securities collateral as of June 30, 2011. The investments purchased with the cash collateral are presented in the discussion of custodial credit risk, since the custodian, as agent, is the counterparty in acquiring these securities in a separate account for the System.

At year end, the System had no credit risk exposure to borrowers because the amount the System owed the borrowers exceeded the amount the borrowers owed the System. At June 30, 2011, the aggregate fair value of securities lending holdings, including accrued interest was $3,224,430,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was $3,137,032,000. The value of the collateral pledged by borrowers at year end was $3,223,865,000.

Note 5 - Receivables

At June 30, 2011, receivables consisted of (amounts expressed in thousands):

	Governmental Funds				
	General	Nonmajor Funds	Internal Service	Receivables Reclass	Total Governmental Activities
Accounts	$ 166,272	$ 19,751	$ 108	$ 16	$ 186,147
Taxes:					
Sales	423,184				423,184
Income	346,955				346,955
Gasoline	47,325				47,325
Other	69,861				69,861
Interest and dividends	8,890	719	227		9,836
Other	252				252
Gross receivables	1,062,739	20,470	335	16	1,083,560
Allowance for uncollectibles	(329,177)	(13,076)			(342,253)
Receivables, net	$ 733,562	$ 7,394	$ 335	$ 16	$ 741,307
Amounts not scheduled for collection in subsequent year	$ 181,440	$ 308			$ 181,748

	Business-type Activities				
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition	Nonmajor Funds	Total
Accounts	$ 72,623	$ 692	$ 3,529	$ 4,507	$ 81,351
Assessments	84,351				84,351
Interest and dividends		121	491	681	1,293
Gross receivables	156,974	813	4,020	5,188	166,995
Allowance for uncollectibles	(67,099)			(110)	(67,209)
Receivables, net	$ 89,875	$ 813	$ 4,020	$ 5,078	$ 99,786

	Component Units		
	Universities	Nonmajor	Total
Accounts	$ 1,900,115	$ 2,945	$ 1,903,060
Interest	4,247	127	4,374
Gross receivables	1,904,362	3,072	1,907,434
Allowance for uncollectibles	(1,669,060)		(1,669,060)
Receivables, net	$ 235,302	$ 3,072	$ 238,374

Note 6 - Due From Other Governments

At June 30, 2011, due from other governments consisted of (amounts expressed in thousands):

	Governmental Funds			
	General	Nonmajor Funds	**Internal Service**	**Total Governmental Activities**
Due from other governments	$ 1,132,880	$ 27,709	$ 321	$ 1,160,910
Allowance for uncollectibles	(857)			(857)
Due from other governments, net	$ 1,132,023	$ 27,709	$ 321	$ 1,160,053
Amounts not scheduled for collection in subsequent year	$ 561,978			$ 561,978

Note 7 - Loans and Notes Receivable

At June 30, 2011, loans and notes receivables consisted of (amounts expressed in thousands):

	Primary Government	**Component Units**
	Governmental Activities Governmental Funds General	Universities
Loans and notes receivable	$ 278,276	$ 182,778
Allowance for uncollectibles	(522)	(22,444)
Loans and notes receivable, net	$ 277,754	$ 160,334
Amounts not scheduled for collection in subsequent year	$ 258,504	$ 131,690

Note 8 - Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2011, was as follows (amounts expressed in thousands):

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,167,729	$ 137,932	$ 291	$ 1,305,370
Construction in progress	4,388,902	789,178	583,308	4,594,772
Total capital assets not being depreciated	5,556,631	927,110	583,599	5,900,142
Capital assets being depreciated:				
Software	5,953			5,953
Buildings	1,675,360	112,139	4,556	1,782,943
Land improvements	170,047	21,845	758	191,134
Machinery and equipment	654,720	48,132	107,909	594,943
Infrastructure	9,053,874	439,064	82,726	9,410,212
Total capital assets being depreciated	11,559,954	621,180	195,949	11,985,185
Less accumulated depreciation for:				
Software	2,843	554		3,397
Buildings	443,297	34,114	3,277	474,134
Land improvements	70,660	5,384	301	75,743
Machinery and equipment	400,553	55,003	50,163	405,393
Infrastructure	3,623,591	245,863	82,726	3,786,728
Total accumulated depreciation	4,540,944	340,918	136,467	4,745,395
Total capital assets being depreciated, net	7,019,010	280,262	59,482	7,239,790
Governmental activities capital assets, net	$ 12,575,641	$ 1,207,372	$ 643,081	$ 13,139,932

Business-type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 42,514	$ 28,706	$ 2	$ 71,218
Construction in progress	40,403	14,881	50,744	4,540
Total capital assets not being depreciated	82,917	43,587	50,746	75,758
Capital assets being depreciated:				
Buildings	84,089	13		84,102
Land improvements	36,770	2,580		39,350
Machinery and equipment	21,920	98	384	21,634
Infrastructure	103,831	19,383		123,214
Total capital assets being depreciated	246,610	22,074	384	268,300
Less accumulated depreciation for:				
Buildings	22,371	1,670		24,041
Land improvements	17,129	1,343		18,472
Machinery and equipment	9,929	1,225	310	10,844
Infrastructure	36,890	3,763		40,653
Total accumulated depreciation	86,319	8,001	310	94,010
Total capital assets being depreciated, net	160,291	14,073	74	174,290
Business-type activities capital assets, net	$ 243,208	$ 57,660	$ 50,820	$ 250,048

Depreciation expense was charged to functions/programs as follows (amounts expressed in thousands):

Governmental Activities:		
General government	$	15,049
Education		5,618
Health and social services		15,890
Law, justice and public safety		31,364
Recreation and resources development		9,147
Regulation of business and profession		145
Transportation		256,893
Depreciation on capital assets held by the government's internal service funds is charged to the various functions based on their usage of the assets		2,271
Total depreciation expense - governmental activities	$	336,377
Business-type Activities:		
Port Authority at Gulfport	$	6,017
Other business-type		1,984
Total depreciation expense - business-type activities	$	8,001

Construction in progress is composed of (amounts expressed in thousands):

		Project Authorization		Expended To Date		Outstanding Commitment
Governmental Activities:						
Department of Transportation	$	5,594,216	$	4,279,309	$	1,318,060
Information Technology Services		35,277		32,686		722
Wireless Communication Commission		83,276		39,553		43,723
Department of Finance and Administration		60,377		52,626		911
Department of Employment Security		58,672		31,580		17,738
Department of Public Safety		47,900		29,360		5,474
Mississippi Development Authority		43,072		38,449		4,623
Department of Revenue		32,646		4,189		28,320
Department of Health		31,406		29,416		1,784
Department of Wildlife, Fisheries and Parks		20,183		14,494		5,546
Military Department		14,458		5,132		9,326
East MS State Hospital		13,797		2,904		9,524
Other projects less than $10 million		48,289		35,074		4,747
Total governmental activities		6,083,569		4,594,772		1,450,498
Business-type Activities:						
Port Authority at Gulfport		7,374		4,540		2,834
Total construction in progress	$	6,090,943	$	4,599,312	$	1,453,332

Component Units

At June 30, 2011, capital assets consisted of (expressed in thousands):

	Universities	Nonmajor	Total
Capital assets not being depreciated:			
Land	$ 66,882	$ 15,974	$ 82,856
Construction in progress	281,293		281,293
Total capital assets not being depreciated	348,175	15,974	364,149
Capital assets being depreciated:			
Buildings	2,690,898	163,543	2,854,441
Land improvements	269,898	61,945	331,843
Machinery and equipment	966,279	45,092	1,011,371
Total capital assets being depreciated	3,927,075	270,580	4,197,655
Less accumulated depreciation	1,415,364	102,027	1,517,391
Total capital assets being depreciated, net	2,511,711	168,553	2,680,264
Component units capital assets, net	$ 2,859,886	$ 184,527	$ 3,044,413

Note 9 - Long-term General Obligation Bonds and Notes

Bond indebtedness incurred by the State of Mississippi must be authorized by legislation governing the specific programs or projects to be financed. Such legislation provides the state bond commission authority to approve and authorize the sale and issuance of bonds. The state bond commission is comprised of the Governor as chairman, the State Attorney General as secretary, and the State Treasurer.

General obligation bonds are issued to provide funds for capital improvements which include repairing, renovating, or constructing state owned facilities, to provide loans and grants to local governments and other entities for economic development and capital improvements, and to provide grants to community colleges and universities for capital improvements. General obligation refunding bonds are issued to currently refund or advance refund certain outstanding bonds for both capital and non-capital related purposes, the majority of which are non-capital related. General obligation bonds issued by the State as of June 30, 2011, relating to a portion of capital improvement and major economic impact projects pay interest at variable rates. The remaining general obligation debt has fixed rates of interest.

The *Tax Reform Act of 1986* requires governmental entities issuing tax-exempt bonds to refund to the U. S. Treasury interest earnings on bond proceeds in excess of the yield on those bonds. The State must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. As of June 30, 2011, no arbitrage rebate liability existed.

General obligation bonds are backed by the full faith, credit and taxing power of the state. Although certain general obligation debt is being retired from the resources of the business-type activities and is, therefore, recorded in those funds, the State remains contingently liable for its payment. In accordance with Mississippi state law, the State serves as the guarantor for the general obligation bonds of the Greater Port of Pascagoula. The port is not considered part of the reporting entity; however, if the port's resources are insufficient to make the debt service payments on the outstanding bonds, the deficiency must be paid by the State. As of June 30, 2011, the Port of Pascagoula's outstanding general obligation bonds are $20,000.

Bond Anticipation Notes

During fiscal year 2011, the State issued $19,000,000 of general obligation notes in anticipation of the issuance of bonds. These notes were redeemed subsequent to year end with proceeds of long-term Tax-exempt General Obligation Bonds, Series 2011A dated October 26, 2011. The Series 2011A Bonds mature annually beginning in year 2027 through 2036 with interest rates ranging from 3.5% to 5%. The bond anticipation notes meet long-term financing criteria and, therefore, are reported as long-term debt rather than as a fund liability.

Refunding and Defeased Bonds

During fiscal year 2011, the State issued $105,027,000 of general obligation bonds, which are reported in governmental activities, to refund general obligation bond anticipation notes.

In prior years, the State defeased certain outstanding general obligation bonds of the primary government by depositing the net proceeds of refunding bonds in irrevocable trusts to be used solely for satisfying all future scheduled principal and interest payments on the refunded debt. Accordingly, for financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements. At June 30, 2011, $200,775,000 of outstanding general obligation bonds (including prior years' refunding) are considered defeased.

Demand Bonds

Variable rate demand bonds (VRDBs) are long-term bonds with rates of interest that re-set weekly and can fluctuate based on market or market index changes. VRDBs offer bondholders a "put" or tender feature and are supported by standby liquidity facilities provided by commercial banks. These Standby Bond Purchase Agreements (SBPAs) require the applicable bank to purchase any bonds that are tendered or not successfully remarketed in accordance with the indentures.

The bondholders may tender these bonds on specified dates at a price equal to principal plus accrued interest on seven days notice and delivery to the applicable remarketing agent. The State's remarketing agents are authorized to use their best efforts to sell the repurchased bonds at face value by adjusting the interest rate on a weekly basis. The designated remarketing agent will determine the interest rate borne by each series of bonds not to exceed 11%, which is the maximum allowed under state law. The State pays the remarketing agents a fee for this service. In the event that the VRDBs cannot be remarketed, they will be purchased by the respective liquidity provider as specified by and subject to certain conditions set forth in the SBPA.

Outstanding General Obligation VRDBs included in long-term debt at June 30, 2011 and selected SBPA terms are:

Series	Outstanding Amount	Liquidity Provider	Scheduled Termination Date	Commitment Fee	Remarketing Agent
Capital Improvements 2005	$ 41,180,000	Bank of America	7/5/2012	0.67%	Morgan Stanley
Capital Improvements 2007	44,900,000	Bank of America	7/5/2012	0.67	Bank of America
Major Economic Impact 2003A	115,365,000	Bank of America	7/5/2012	0.67	Citigroup
Major Economic Impact 2003B	49,995,000	Bank of America	7/5/2012	0.67	Morgan Stanley
Major Economic Impact 2003C	60,550,000	Bank of America	7/5/2012	0.67	Bank of America

If a tender advance occurs under the Capital Improvements 2005 SBPA, interest accrues at the bank's base rate (the prime lending rate minus 1%) for the first 60 days, the bank's prime lending rate for the period from 61 to 89 days after the purchase date, and the bank's prime lending rate plus 1% beginning 90 days after the purchase date. If the tender advance is in default, interest accrues at the bank's prime rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within 90 days of the purchase date, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's prime rate plus 1%. If the take-out agreement is exercised because the entire issue of $41,180,000 of demand bonds cannot be resold, the State will be required to pay monthly installments of $895,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

If a tender advance occurs under the Capital Improvements 2007 SBPA, interest accrues at the bank's base rate (the prime lending rate plus 2%, the federal funds rate plus 3%, or 10%, whichever is higher). If the tender advance is in default, interest accrues at the bank's base rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of $44,900,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $5,957,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

If a tender advance occurs under the Major Economic Impact 2003A SBPA, interest accrues at the bank's base rate (one-month LIBOR) plus .35%. If the underlying rating on the bonds is decreased by Moody's Investor Service to a rating of "A", the interest rate will increase and become the bank's base rate plus .45%. If the rating from Moody's Investor Service falls below "A", the rate becomes equal to the default rate. If the tender advance is in default, interest accrues at the bank's base rate plus 2%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of $115,365,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $15,305,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

If a tender advance occurs under the Major Economic Impact 2003B SBPA, interest accrues at the bank's base rate (the prime lending rate plus 2%, the federal funds rate plus 3%, or 10%, whichever is higher). If the tender advance is in default, interest accrues at the bank's base rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America

under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of $49,995,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $6,633,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

If a tender advance occurs under the Major Economic Impact 2003C SBPA, interest accrues at the bank's base rate (the prime lending rate plus 2%, the federal funds rate plus 3%, or 10%, whichever is higher). If the tender advance is in default, interest accrues at the bank's base rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of $60,550,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $8,033,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

Derivative Instruments

The State entered into interest rate swap agreements in connection with $186,080,000 of outstanding variable rate debt in order to hedge changes in cash flows. At June 30, 2011, the State had the following pay-fixed interest rate swap derivative instruments reported in governmental activities:

Associated Bonds	Notional Amount	Effective Date	Final Maturity Date	Terms	Counterparty Credit Rating
2003A	$ 25,005,000	July 2006	Nov. 2028	Pay 5.708%; receive one-month LIBOR	A+/Aa3/A+
2003A	25,000,000	Mar. 2007	Nov. 2026	Pay 5.248%; receive one-month LIBOR	A+/A1/A+
2003B	24,995,000	July 2006	Nov. 2028	Pay 5.708%; receive one-month LIBOR	A+/Aa3/A+
2003B	25,000,000	Mar. 2007	Nov. 2026	Pay 5.248%; receive one-month LIBOR	A+/A1/A+
2005	41,180,000	Oct. 2004	Sept. 2025	Pay 4.037%; receive SIFMA swap index	A/A2/A
2007	44,900,000	May 2005	Sept. 2027	Pay 3.980%; receive SIFMA swap index	A/A2/A

Fair Value - The fair values for the swap transactions were determined using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. The fair values were provided by a third party consultant based on information in the Interest Rate Swap Confirmations supplied by the swap counterparties. Based on that information and the swap market conditions prevailing on June 30, 2011, the third party consultant calculated the estimated market value. The fair values may vary throughout the terms of the swap agreements as a result of fluctuations in the applicable market interest rates. The fair value balances at June 30, 2011 and the changes in fair value of derivative instruments reported in governmental activities are:

Associated Bonds	Notional Amount	Changes in Fair Value		Fair Value at June 30, 2011	
		Classification	Amount	Classification	Amount
2003A	$ 25,005,000	Deferred Outflow	$ 1,349,000	Derivative Instrument	$ (6,191,000)
2003A	25,000,000	Deferred Outflow	1,035,000	Derivative Instrument	(4,610,000)
2003B	24,995,000	Deferred Outflow	1,348,000	Derivative Instrument	(6,189,000)
2003B	25,000,000	Deferred Outflow	1,035,000	Derivative Instrument	(4,610,000)
2005	41,180,000	Deferred Outflow	357,000	Derivative Instrument	(4,487,000)
2007	44,900,000	Deferred Outflow	385,000	Derivative Instrument	(4,740,000)

Hedged Debt and Derivative Instrument Payments - The interest and net swap payments shown assume that interest rates at year end will remain unchanged for the term of the bonds and the hedges. As interest rates vary, interest payments on the variable rate bonds and the net swap payments will change. The future minimum debt service on long-term general obligation debt reported for the primary government is presented at the end of this note. At June 30, 2011, future debt service requirements on the hedged variable rate bonds and net payments on associated hedging derivative instruments are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Net Swap Payment	Total
2012	$ 3,850	$ 226	$ 8,539	$ 12,615
2013	4,015	223	8,383	12,621
2014	4,180	220	8,220	12,620
2015	4,375	218	8,050	12,643
2016	4,550	213	7,873	12,636
2017 - 2021	25,945	1,009	36,421	63,375
2022 - 2026	79,025	769	26,726	106,520
2027 - 2029	60,140	122	4,193	64,455
	$ 186,080	$ 3,000	$ 108,405	$ 297,485

Interest Rate Risk - Although the interest rates on the bonds are synthetically fixed under the swap agreements, interest payments on the variable rate bonds and the net payments under the swap agreements will vary as interest rates change.

Credit Risk - The swap agreements and Section 31-18-11, Mississippi Code Ann. (1972), require that the counterparties have credit ratings by at least one nationally recognized statistical rating agency that are within the two highest investment grade categories, and credit ratings by all other nationally recognized statistical rating agencies that are within the three highest grade categories, otherwise the payment obligations of the counterparty shall be unconditionally guaranteed by an entity with such credit ratings. Section 31-18-11, Mississippi Code Ann. (1972), also requires that should the credit rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations fall below the required rating, that the obligations of such counterparty shall be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by the United States of America, with a net market value of at least 102% of the net market value of the swap agreements and shall be deposited as directed by the State. Additionally, Section 31-18-11, Mississippi Code Ann. (1972), requires that the counterparty, or the entity guaranteeing the counterparty's obligations, have a net worth of at least $100,000,000. The State is not exposed to credit risk at June 30, 2011, as all swap agreements are in a liability position.

Basis Risk - The swap agreements expose the State to basis risk because the applicable interest rates under the swap agreements are based on LIBOR and the SIFMA swap index, which may differ from the interest rates set by the remarketing agents for the State's variable rate bonds. As of June 30, 2011, the weighted average variable interest rate paid on the bonds was .12287%, while the SIFMA swap index was .09% and one-month LIBOR was .18555%.

Termination Risk - The swap agreements are documented by using the International Swap Dealers Association Master Agreement which includes standard termination events, such as failure to pay and bankruptcy. The schedule to the Master Agreement includes additional termination events providing that the swap agreements may be terminated if either the State's or the counterparty's credit rating falls below certain levels. The State or the counterparties may terminate the swap agreements if the other party fails to perform under the terms of the contract. If one or more of the swap agreements are terminated, the State would no longer have a synthetic fixed rate with respect to the previously hedged bonds and would be exposed to these bonds' variable interest rates. Also, if at the time of termination the swap agreements have a negative fair value, the State would incur a loss and would be required to pay the swap agreements' fair value to the counterparty. If the swap agreements have a positive fair value at the time of termination, the State would realize a gain and would receive the swap agreements' fair value from the counterparty.

Market-Access Risk and Rollover Risk - The swap agreements are for the same maturity terms as the hedged variable rate bonds. Therefore, the State is not exposed to market access risk or rollover risk that would be present if the swap agreements' maturity terms ended prior to the maturities of the hedged bonds.

Foreign Currency Risk - The swap agreements and the hedged bonds do not have terms denominated in a foreign currency. Therefore, the State is not exposed to foreign currency risk on the swap agreements.

At June 30, 2011, the primary government's outstanding general obligation bonds and notes as presented in governmental activities and business-type activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Governmental Activities:				
Bonds				
Gaming Highway Improvement	$ 23,060	5%	Oct. 2011	$ 200,000
Telecommunication Conference and Training Center	245	5.1% - 5.22%	Nov. 2011	2,000
Ayers Settlement - Allstate Building	415	5.5% - 5.6%	June 2012	3,300
Single Family Residential Housing	625	5.5% - 5.6%	June 2012	5,000
Deer Island Project	1,955	3.6% - 3.75%	Nov. 2012	8,800
Franklin County Lake and Recreation Complex Road Construction	480	4.63% - 5%	Sept. 2013	1,250
Land, Water, and Timber Resources	9,953	4% - 5.5%	Nov. 2014	38,000
Local Governments Rail Program	2,625	4% - 5.6%	Nov. 2014	13,000
Milk Producers	2,635	4.75% - 5.17%	Dec. 2017	3,500
Disaster Assistance	440	3% - 4%	Nov. 2019	5,000
Technology Alliance	905	5% - 5.25%	Oct. 2023	1,000
Farish Street Historic District	3,040	.65% - 5.25%	Nov. 2023	4,500
Heritage, History, and Culture Tourism	700	.65% - 4.35%	Nov. 2023	700
Industry Incentive Financing	100,000	.65% - 4.35%	Nov. 2023	100,000
Railroad Lines and Bridges Improvement	2,365	.65% - 5.25%	Nov. 2023	2,500
Small Business and Existing Forestry Industry	5,000	.65% - 4.35%	Nov. 2023	5,000
State Railroad Revitalization	1,000	.65% - 4.35%	Nov. 2023	1,000
Sustainable Energy	500	.65% - 4.35%	Nov. 2023	500
Workforce Training	2,000	.65% - 4.35%	Nov. 2023	2,000
Job Protection	5,130	4.25% - 5.25%	Dec. 2025	6,000
Local Governments Capital Improvements	13,730	4.25% - 5.25%	Dec. 2025	15,500
Raspet Flight Research Laboratory	995	5.5%	Dec. 2025	1,200
State Shipyard Improvements	101,955	4.07% - 5.5%	Dec. 2025	156,000
Stennis Space Center	9,381	4.75% - 5.6%	Dec. 2025	13,050
Small Enterprise Development Finance	37,035	3.25% - 6.5%	July 2028	110,035
ACE Fund	27,829	.65% - 5.67%	Oct. 2029	29,950
Existing Industry	20,805	.65% - 5.55%	Oct. 2029	21,500
Rural Impact	15,765	.65% - 5.75%	Oct. 2029	22,000
Statewide Wireless Communication System	43,524	1.54% - 5.54%	Oct. 2029	45,000
Major Economic Impact *	417,084	.05% -6.09%	Oct. 2032	584,300
Farm Reform	6,120	1.54% - 5.67%	Oct. 2034	11,000
Small Municipalities and Limited Population Counties	29,762	.65% - 5.75%	Oct. 2034	54,000
Business Investment	34,105	.65% - 5.75%	Nov. 2034	61,050
Capital Improvements *	994,851	3.25% - 5.67%	Nov. 2034	1,467,025
Economic Development Highway	134,325	1.54% - 5.54%	Nov. 2034	150,000
General Obligation Refunding Bonds	1,502,592	.65% - 7.35%	Nov. 2034	2,062,117
Local Governments Water System Improvement	9,383	4.07% - 5.25%	Nov. 2034	11,143
Local System Bridge Replacement and Rehabilitation	100,010	3.75% - 5.25%	Nov. 2034	116,200
Rural Fire Truck Acquisition	14,490	4.25% - 5.75%	Nov. 2034	15,900
Transportation	68,610	4.35% - 5.45%	Nov. 2035	69,000
Total Bonds	3,745,424			5,419,020
Notes				
Local System Bridge Replacement and Rehabilitation	19,000	.65%	Oct. 2011	19,000
Premiums	98,166			
Deferred Amount on Refunding	(48,890)			
Total Governmental Activities	3,813,700			5,438,020
Business-type Activities:				
General Obligation Refunding Bonds	23,426	5% - 5.9%	Nov. 2022	37,602
Total General Obligation Bonds and Notes	$ 3,837,126			$ 5,475,622

* Interest on $125,910,000 of outstanding general obligation bonds for Major Economic Impact is variable rate and paid at the weekly interest rate as determined by the remarketing agents. Interest rate swap agreements have been entered into in connection with $86,080,000 of outstanding variable rate general obligation bonds for Capital Improvements where the State pays the counterparty fixed rate payments ranging from 3.98% to 4.037% and receives variable rate payments computed based on the SIFMA swap index. Additionally, interest rate swap agreements have been entered into in connection with $100,000,000 of outstanding variable rate general obligation bonds for Major Economic Impact where the State pays the counterparties fixed rate payments ranging from 5.248% to 5.708% and receives variable rate payments computed based on one-month LIBOR. The remaining outstanding general obligation bonds relating to Capital Improvements and Major Economic Impact have fixed rates of interest.

At June 30, 2011, future general obligation debt service requirements for the primary government are (amounts expressed in thousands):

	Governmental Activities		Business-type Activities	
Year Ending June 30	Principal	Interest	Principal	Interest
2012	$ 281,046	$ 174,618	$ 2,634	$ 898
2013	238,833	162,595	2,582	817
2014	247,054	150,982	2,707	727
2015	255,327	139,214	2,833	622
2016	239,146	127,797	2,974	505
2017 - 2021	972,608	489,257	9,586	733
2022 - 2026	706,575	306,567	110	5
2027 - 2031	467,285	154,072		
2032 - 2036	356,550	45,662		
Total	3,764,424	1,750,764	23,426	4,307
Premiums	98,166			
Deferred Amount on Refunding	(48,890)			
Total Debt Service, Net	$ 3,813,700	$ 1,750,764	$ 23,426	$ 4,307

Note 10 - Bonds Authorized But Unissued

At June 30, 2011, authorized but unissued bond indebtedness existed to be used for various purposes as summarized below (amounts expressed in thousands):

Purpose	Authorized	Authorized But Unissued
General Obligation Bonds:		
ACE Fund	$ 47,450	$ 17,500
Business Investment Act	331,500	50,623
Capital Improvements	1,082,158	431,561
City of Jackson Water and Sewer Loan	6,000	6,000
Deer Island Project	10,000	1,200
Economic Development Highway	364,500	120,600
Energy Infrastructure Revolving Loan	20,000	20,000
Existing Industry Productivity Loan	65,000	25,000
Farm Reform	128,000	20,000
Industry Incentive Financing	293,000	193,000
Local Governments and Rural Water Systems Improvements	33,843	2,700
Local Governments Capital Improvements	128,000	12,500
Local System Bridge Replacement	175,000	31,000
Major Economic Impact	1,188,800	187,610
North Central Mississippi Regional Railroad Grant	15,000	15,000
Old Capitol Green	20,000	20,000
Railroad Improvements Grant	5,000	5,000
Railroad Revitalization and Stimulus	3,000	2,000
Rural Fire Truck Acquisition	17,850	1,950
Rural Impact	26,375	2,500
Small Business and Existing Forestry Industry Revolving Loan	30,000	25,000
Small Enterprise Development Finance	140,000	103,580
Small Municipalities and Limited Population Counties	55,750	1,750
State Highway Bridge Rehabilitation	100,000	76,500
State Port Improvement (Gulfport)	80,000	80,000
Statewide Tourism	7,325	2,100
Statewide Wireless Communication System	57,000	2,000
Sustainable Energy Research	2,000	1,500
Technology Alliance	4,000	2,000
Transportation - Access Roads	18,000	15,000
Vision 21 Highway Projects	50,000	31,500
Workforce Training	4,000	2,000
	$ 4,508,551	$ 1,508,674

Note 11 - Revenue Bonds and Notes

Revenue bonds and notes are backed by a pledge of resources derived from users of the related facilities and are not supported by the full faith and credit of the State.

At June 30, 2011, outstanding revenue bonds and notes are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Component Units				
Universities:				
Bonds	$ 733,882	1% - 6.84%	Sept. 2039	$ 875,113
Notes	21,942	0% - 6.29%	Sept. 2039	25,654
Nonmajor Component Units:				
Notes	310	3.137%	Jan. 2018	1,292
Total Component Units	$ 756,134			$ 902,059

At June 30, 2011, future revenue bond and note debt service requirements are (amounts expressed in thousands):

	Component Units	
Year Ending June 30	Principal	Interest
2012	$ 23,889	$ 36,423
2013	24,073	35,082
2014	27,216	34,022
2015	28,283	32,877
2016	29,229	31,588
2017 - 2021	150,092	138,565
2022 - 2026	152,950	103,621
2027 - 2031	154,742	66,540
2032 - 2036	139,470	25,049
2037 - 2039	26,190	2,322
	$ 756,134	$ 506,089

Note 12 - Other Long-term Liabilities

A. Compensated Absences - The State's liability for compensated absences at June 30, 2011 is $118,289,000 for governmental activities and $628,000 for business-type activities. Internal service compensated absences of $1,197,000 are included in governmental activities. The component units' liability for compensated absences is $103,962,000, of which $103,127,000 is for the Universities. The reported liability includes related fringe benefits and excludes any obligations related to leave accumulations in excess of 30 days per employee (see Note 1-N).

B. Pollution Remediation Obligation - As of June 30, 2011, four Superfund sites in the State are in various stages of cleanup ranging from initial assessment of contamination to cleanup of chemical spills. Numerous leaking underground storage tank sites exist where motor fuels contaminate soil and groundwater, and present inhalation and explosive hazards. Under federal and state law, the State is legally obligated to remedy the detrimental effects of existing pollution through site investigation and assessment, restoration and replacement, cleanup, and monitoring.

At June 30, 2011, the primary government's pollution remediation obligation is $39,154,000. This estimate is based on professional judgment, experience, historical cost data, and the use of the expected cash flow technique. Recoveries from other responsible parties, which would reduce the State's remediation liability, are not anticipated. Remediation obligation estimates may change over time. Estimated costs will vary due to changes in technology, fluctuation in prices, changes in potential responsible parties, and changes in regulations.

C. Notes Payable - At June 30, 2011, the primary government's outstanding notes payable as presented in governmental activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Utility restoration	$ 153,330	5% - 5.45%	Jul. 2019	$ 189,860
Energy efficiency	17,397	4.15% - 5.73%	Apr. 2026	22,406
Buildings	214,662	3.62% - 5.37%	Jun. 2028	219,985
Roads and bridges	606,821	1.72% - 6.59%	Jan. 2040	657,861
Total	992,210			1,090,112
Premiums	28,806			
Deferred Amount on Refunding	(4,070)			
Total Notes Payable, Net	$ 1,016,946			$ 1,090,112

Refunding and Defeased Notes- During fiscal year 2011, the State issued refunding notes to currently refund three notes reported in governmental activities.

Two notes totaling $162,410,000 were issued to currently refund notes for buildings. The current refunding was undertaken to give debt service payment relief by providing a cash flow savings of $9,176,000 over the next eight years. The current refunding resulted in an increase in debt service payments of $13,197,000 over the next 17 years and an economic loss (the difference between the present value of the debt service payments of the refunded and refunding bonds) of $11,338,000.

A note for $17,016,000 was issued to currently refund notes for accelerated construction of roads and bridges. The current refunding results in an increase in debt service payments of $180,000 over the next seven years. The current refunding was undertaken to provide stability under current market conditions and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding notes) of $689,000.

In fiscal year 2010, the State defeased certain outstanding notes of the primary government by depositing the net proceeds of refunding notes in an irrevocable trust to be used solely for satisfying all future scheduled principal and interest payments on the refunded debt. Accordingly, for financial reporting purposes, the defeased notes and the related trust account are not included on the financial statements. At June 30, 2011, $32,975,000 of outstanding notes (including prior years' refundings) are considered defeased.

At June 30, 2011, future debt service requirements for notes payable as presented in governmental activities are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest
2012	$ 41,104	$ 50,994
2013	43,029	49,153
2014	45,101	47,137
2015	38,345	44,941
2016	45,097	42,946
2017 - 2021	263,008	176,339
2022 - 2026	229,301	119,193
2027 - 2031	141,375	65,365
2032 - 2036	100,745	31,842
2037 - 2041	45,105	7,382
Total	992,210	635,292
Premiums	28,806	
Deferred Amount on Refunding	(4,070)	
Total Debt Service, Net	$ 1,016,946	$ 635,292

Derivative Instruments

In April 2008, the State entered into a forward interest rate swap agreement in connection with $166,250,000 of variable rate notes. The swap agreement was considered effective at June 30, 2010, and the fair value of negative $21,736,000 was treated as a deferred outflow of resources. In July 2010, the variable rate notes were refunded with fixed rate notes and the swap agreement was terminated, meaning it no longer met the criteria for an effective cash flow hedge. The fair value at June 30, 2010, and the increase in fair value of the swap in fiscal year 2011 of $581,000 are reported as an investment loss of $21,155,000 within the governmental activities' investment revenue classification.

D. Capital Lease Commitments - The State leases property with varying terms and options. Most leases contain a fiscal funding addendum stating that the lease shall terminate on the last day of the fiscal year if appropriated funds for the ensuing fiscal year are insufficient. However, if renewal is reasonably assured, leases requiring appropriation by the State Legislature are considered non-cancellable leases for financial reporting purposes.

At June 30, 2011, assets recorded under capital leases are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities
Land	$	$ 700
Machinery and Equipment	31,485	1,230
Accumulated Depreciation	(13,799)	(305)
Total	$ 17,686	$ 1,625

The discretely presented component units recorded capital assets acquired through capital leases of $20,425,000.

At June 30, 2011, future minimum commitments under capital leases are (amounts expressed in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
2012	$ 7,003	$ 270	$ 7,273	$ 6,407
2013	3,779	269	4,048	2,808
2014	2,593	135	2,728	1,511
2015	1,165		1,165	1,967
2016	411		411	1,282
2017 - 2021				6,118
2022 - 2026				5,374
2027 - 2031				5,321
2032 - 2036				5,296
2037 - 2041				3,753
Total Minimum Lease Payments	14,951	674	15,625	39,837
Less Interest	1,016	56	1,072	14,233
Present Value of Minimum Lease Payments	$ 13,935	$ 618	$ 14,553	$ 25,604

Note 13 - Changes in Long-term Liabilities

Changes in the primary government's long-term liabilities for the year ended June 30, 2011 are summarized below (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds and Notes (Note 9)	$ 3,469,356	$ 669,670	$ 374,602	$ 3,764,424	$ 281,046
Premiums/Discounts (Note 9)	109,172		11,006	98,166	9,828
Deferred Amount on Refunding (Note 9)	(54,522)	5,632		(48,890)	(5,449)
Notes Payable (Note 12)	1,029,981	184,577	222,348	992,210	41,104
Premiums (Note 12)	18,002	13,115	2,311	28,806	2,352
Deferred Amount on Refunding (Note 12)	(3,631)	1,587	2,026	(4,070)	(710)
Total Bonds and Notes	4,568,358	874,581	612,293	4,830,646	328,171
Derivative Instruments (Notes 9 and 12)	58,072		27,245	30,827	
Capital Lease Obligations (Note 12)	13,212	8,009	7,286	13,935	6,461
Accrued Compensated Absences (Note 12)	124,386	57,446	63,543	118,289	7,301
Pollution Remediation Obligation (Note 12)	40,601	7,946	9,393	39,154	6,341
	$ 4,804,629	$ 947,982	$ 719,760	$ 5,032,851	$ 348,274
Business-type Activities:					
General Obligation Bonds (Note 9)	$ 26,476	$	$ 3,050	$ 23,426	$ 2,634
Accrued Compensated Absences (Note 12)	676	139	187	628	31
Capital Lease Obligations (Note 12)	841		223	618	237
	$ 27,993	$ 139	$ 3,460	$ 24,672	$ 2,902

Internal service funds predominantly serve the governmental funds. Therefore, long-term liabilities for internal service funds are included in the governmental activities totals. The beginning and ending balances of governmental activities accrued compensated absences include $1,275,000 and $1,197,000, respectively, of internal service funds. Also, for the governmental activities, accrued compensated absences are generally paid out of the general fund and special revenue funds.

Within the governmental activities, the reduction of $374,602,000 in general obligation bonds and notes includes $105,027,000 in refundings. The reduction of $222,348,000 in notes payable includes $183,105,000 in refundings.

The current portion of accrued compensated absences is reported in accounts payable and other liabilities and the long-term portion is included in noncurrent other liabilities.

Note 14 - Short-term Financing

A. Notes - During fiscal year 2011, the State issued $45,000,000 in notes to provide short-term financing for highway projects. These notes have a final maturity date of December 2011 and carry an interest rate of .45%. Additionally, the State issued $76,246,000 in notes to provide short-term financial assistance for economic development and capital improvement projects. The notes were paid off in November 2010 and carried an interest rate of 1.57% on $76,000,000 and a variable interest rate equal to the weekly SIFMA swap index plus 150 basis points on $246,000. At June 30, 2011, the outstanding short-term notes were $45,000,000. Changes in short-term note activity recorded in governmental activities during fiscal year 2011 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Notes	$ 10,000	$ 121,246	$ 86,246	$ 45,000

B. Credit Agreements - The Division of Medicaid, which is reported within the General Fund, is authorized to obtain a line of credit up to $150,000,000 from any special source funds in the state treasury or commercial lenders to cover temporary cash flow shortfalls in providing health care services. This line of credit is secured by the first available funds received by the Division of Medicaid and is to be repaid by the end of the quarter following the loan origination. Changes in the line of credit activity during fiscal year 2011 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Medicaid Line of Credit	$ 0	$ 90,000	$ 90,000	$ 0

Note 15 - Retirement Plans

Plan Description

A. General

In accordance with state statutes, Public Employees' Retirement System (PERS) Board of Trustees (System) administers four defined benefit plans. The defined benefit plans are the PERS, a cost-sharing multiple-employer public employee retirement system established in 1952, Mississippi Highway Safety Patrol Retirement System (MHSPRS), a single-employer public employee retirement system established in 1958, the Municipal Retirement Systems (MRS), which are agent multiple-employer defined benefit public employee retirement systems composed of 19 separate municipal retirement and fire and police disability and relief systems, and Supplemental Legislative Retirement Plan (SLRP), a single-employer public employee retirement system established in fiscal year 1990.

PERS, MHSPRS, MRS and SLRP are considered part of the State of Mississippi's financial reporting entity and are included in the accompanying financial statements as pension trust funds. The purpose of these plans is to provide pension benefits for all state employees, sworn officers of the state highway patrol, other public employees whose employers have elected to participate, and elected members of the State Legislature and the president of the Senate. The System issues a Comprehensive Annual Financial Report, which includes PERS, MHSPRS, MRS and SLRP, that is available from Public Employees' Retirement System of Mississippi.

B. Membership and Benefit Provisions

Public Employees' Retirement System: Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by the political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity's participation in PERS by the System's Board of Trustees. If approved, membership for these employees is a condition of employment and eligibility is granted to those who qualify upon hiring. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a refund of his or her accumulated member contributions plus interest.

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who become members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2 percent of their average compensation for each year of credited service up to and including 30 years (25 years for those who became members before July 1, 2011) plus 2.5 percent for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon

completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost-of-Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3 percent compounded for each fiscal year thereafter. For the year ended June 30, 2011, the total annual COLA payments for PERS were $368,645,000.

Mississippi Highway Safety Patrol Retirement System: Membership in MHSPRS is a condition of employment granted upon hiring for all officers of the Mississippi Highway Safety Patrol who have completed a course of instruction in an authorized highway patrol training school on general law enforcement and who serve as sworn officers of the highway patrol in the enforcement of the laws of the State. Participating members who withdraw from service at or after age 55 with at least five years of membership service, or after reaching age 45 with at least 20 years of credited service, or with 25 years of service at any age, are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.5 percent of average compensation during the four highest consecutive years of earnings, reduced 3 percent for each year below age 55 or 3 percent for each year under 25 years of service, whichever is less. MHSPRS also provides certain death and disability benefits. A member who terminates employment from the highway patrol and who is not eligible to receive monthly retirement benefits may request a refund of his or her accumulated employee contributions plus interest. Benefit provisions for MHSPRS are established by Section 25-13-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A COLA payment is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60, plus 3 percent compounded for each fiscal year thereafter. For the year ended June 30, 2011, the total annual COLA payments for MHSPRS were $6,693,000.

Municipal Retirement Systems: Membership in the two general Municipal Retirement Systems and the 17 Fire and Police Disability and Relief Systems was granted to all municipal employees, fire fighters, and police officers who were not already members of PERS and who were hired prior to July 1, 1976. Two fire and police plans elected to extend the eligibility period for membership to July 1, 1987. Eligible employees hired after these periods automatically become members of PERS. The Municipal Retirement Systems were all closed to new members by July 1, 1987.

Regardless of age, participating employees who retire with at least 20 years of membership service are entitled to an annual retirement allowance payable monthly for life in an amount equal to 50 percent of their average monthly compensation and an additional 1.7 percent for each year of credited service beyond 20 years, not to exceed 66.67 percent of average monthly compensation, except as may otherwise be provided through local and private legislation. Average monthly compensation for the two Municipal Retirement Systems and the 17 Fire and Police Disability and Relief Systems is the monthly average for the last six months of service. Certain participating employers provide a minimum monthly retirement allowance. Benefits vest upon reaching 20 years of credited service. MRS plans also provide certain death and disability benefits. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of employee contributions. Benefit provisions are established by Sections 21-29-1 et seq., Articles 1, 3, 5 and 7, Mississippi Code Ann. (1972) and annual local and private legislation. Statutes may be amended only by the State Legislature.

The retirees and beneficiaries of MRS plans with provisions for additional payments, who are receiving a retirement allowance on July 1 of each fiscal year, may be entitled to an additional payment. This payment is equal to the annual percentage change of the Consumer Price Index (CPI) but not to exceed 2.5 percent of the annual retirement allowance for each full fiscal year of retirement. Certain MRS plans may adopt an annual adjustment other than one linked to the change in the CPI. These additional payments will be made only when funded by the employers. For the year ended June 30, 2011, the total additional annual payments for MRS plans were $5,146,000.

Supplemental Legislative Retirement Plan: Membership in SLRP is composed of all elected members of the State Legislature and the president of the Senate. This plan is designed to supplement the provisions of PERS. Those serving when SLRP became effective July 1, 1989, had 30 days to waive membership. Those elected after July 1, 1989, automatically become members.

The retirement allowance is 50 percent of an amount equal to the retirement allowance payable by PERS, determined by credited service as an elected senator or representative in the State Legislature or as president of the Senate. Benefits vest upon completion of the requisite number of membership service years in PERS. SLRP also provides certain death and disability benefits. A member who terminates legislative employment and who is not eligible to receive monthly retirement benefits may request a refund of his or her accumulated employee contributions plus interest. Benefit provisions for SLRP are established by Section 25-11-301 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

Retirees and beneficiaries of SLRP may receive additional amounts calculated identically to PERS retirees and beneficiaries. For the year ended June 30, 2011, the total additional annual payments for SLRP were $178,000.

C. Actuarial Asset Valuation

By statute, actuarial valuations of PERS, MHSPRS and SLRP must be performed at least once in each two-year period as of June 30, with the most recent being June 30, 2011. An actuarial valuation of MRS is required to be performed at least once in each four-year period as of September 30, with the most recent being September 30, 2010. All plans presently have actuarial valuations performed annually. Each valuation may be affected by changes in actuarial assumptions and changes in benefit provisions since the preceding valuation.

D. Funding Policy and Annual Pension Costs

Contribution provisions for PERS, MHSPRS and SLRP are established by state statute. The adequacy of these rates is assessed annually by actuarial valuation. Contribution provisions for MRS are established by state statute, annual local and private legislation and may be amended only by the State Legislature.

The following table provides information concerning funding and actuarial policies (amounts expressed in thousands):

	PERS	MHSPRS	MRS	SLRP
Contribution rates:				
State	12% ****	30.3%	N/A	6.65%
Other employers	N/A	N/A	.99 - 9.51 mills	N/A
Plan members	9%	7.25%	7% - 10%	3% **
Annual pension cost	$ 781,538 *	$ 11,494	$ 17,739	$ 457
Employer contributions made	$ 723,836	$ 11,494 ***	$ 21,429	$ 457
Actuarial valuation date	June 30, 2011	June 30, 2011	Sept. 30, 2010	June 30, 2011
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percent open	Level percent open	Level dollar closed	Level percent open
Remaining amortization period	30 years	30 years	24 years	22.3 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:				
Investment rate of return	8%	8%	8%	8%
Wage inflation rate	4.25%	4.25%	4.25%	4.25%
Projected salary increases	4.5% - 20%	5% - 10.52%	4.5% - 6%	4.5%
Increases in benefits after retirement	3% ~	3% @	2% - 3.75% #	3% ~
Proposed annual employer contribution rates for fiscal year 2013 based on the 6/30/11 actuarial valuation	14.26%	37%	-	7.4%

* Calculated based on an employer contribution rate increase from 12% to 13.56%. In lieu of the employer contribution rate increase, the member contribution rate was increased to 9%, which produced a decrease in employer normal cost. As a result, the annual required contributions were $687,016.

** In addition to 9% required by PERS.

@ Calculated 3% simple interest to age 60, compounded each fiscal year thereafter.

~ Calculated 3% simple interest to age 55, compounded each fiscal year thereafter.

Varies depending on municipality.

*** Includes fees authorized by the State Legislature, which are reported as other additions in the pension trust funds.

**** In the June 30, 2009 valuation report, the PERS' consulting actuary recommended an employer contribution rate of 13.56% of covered wages in order to comply with GASB Statement No. 25 and No. 27. The PERS Board of Trustees adopted the contribution rate in order to provide a sufficient funding level with an unfunded accrued liability period no more than 30 years. However, due to an increase in employee contribution rate, from 7.25% to 9% passed by the State Legislature effective July 1, 2010, the PERS Board of Trustees delayed increasing the employer contribution rate until the completion of the June 30, 2010 actuarial valuation. The increase in the member contribution rate served to reduce employer normal cost from 4.13% to 2.49%. This coupled with favorable investment performance for 2010 led the consulting actuary to recommend an employer contribution rate of 12.93% in the June 30, 2010 valuation report. Based on this recommendation, the PERS Board of Trustees approved an increase from 12% to 12.93%. Due to a request by the leadership of State Legislature, the increase is postponed until January 1, 2012. The Board also approved employer contribution rate increases for MHSPRS, from 30.3% to 35.21%, and SLRP from 6.65% to 7.4%. These increases also are delayed until January 1, 2012.

E. Three-Year Trend Information

The following table provides the employer contribution to PERS, MHSPRS, MRS, and SLRP for the last three fiscal years (amounts expressed in thousands):

	PERS	MHSPRS*	MRS**	SLRP
Contributions:				
2009	$ 713,569	$ 12,274	$ 16,132	$ 458
2010	731,544	12,598	16,891	446
2011	723,836	11,494	21,429	457

* Includes fees authorized by the State Legislature that are reported as other additions in the pension trust funds.
** Information furnished for MRS is for the years ended September 30, 2008, 2009, and 2010 respectively.

PERS annual pension cost was calculated based on an employer contribution rate of 13.56%. In lieu of the employer contribution rate increase from 12% to 13.56%, the member contribution rate increased to 9%, which produced a decrease in employer normal cost. As a result, the annual required contributions were $687,016,000 for fiscal year 2011. The annual pension cost was equal to the employer contributions made for the MHSPRS and SLRP plans. For each year the contributions met or exceeded the required contributions, including the MRS where the percent contributed was 106%, 114.4% and 120.8% of the required contributions for the years ended September 30, 2008, 2009, and 2010, respectively. The State makes no contributions to the MRS; therefore, any NPO would belong to the respective municipal entity. For the years ended September 30, 2008, 2009, and 2010, the MRS net pension obligation or net pension asset was not significant.

F. Funded Status and Funding Progress

The following table provides funding information for the most recent actuarial valuation dates (amounts expressed in thousands):

	PERS	MHSPRS	MRS	SLRP
Actuarial Valuation Date	June 30, 2011	June 30, 2011	Sept. 30, 2010	June 30, 2011
Actuarial Value of Assets	$ 20,315,165	$ 278,265	$ 175,988	$ 13,606
Actuarial Accrued Liability (AAL) Entry Age	$ 32,654,465	$ 414,432	$ 372,897	$ 18,605
Unfunded AAL	$ 12,339,300	$ 136,167	$ 196,909	$ 4,999
Percent Funded	62.2%	67.1%	47.2%	73.1%
Annual Covered Payroll	$ 5,684,624	$ 24,872	$ 1,425	$ 6,810
Unfunded AAL as a Percentage of Annual Covered Payroll	217.1%	547.5%	13,818.2%	73.4%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 16 - Other Postemployment Benefits

Plan Description

The State and School Employees' Health Insurance Management Board (the Board) administers the State's self-insured medical plan and life insurance program established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the State has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit healthcare plan. Effective July 1, 2007, the State implemented GASB Statement 45 prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. The State does not issue a publicly available financial report for the Plan.

Funding Policy

Employees' premiums are funded by the state and local school districts with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. The Plan is financed on a pay-as-you-go basis. The Board has the sole authority for setting health insurance premiums for the State and School Employees' Life and Health Insurance Plan.

Per Section 25-15-15 (10), Mississippi Code Ann. (1972), any retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from his State retirement plan check or direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the board determines actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the state, then the board may impose a premium surcharge, not to exceed fifteen percent, upon such participating retired employees who are under the age for Medicare eligibility and who were initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who were initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determines actuarially to cover the full cost of insurance. For the year ended June 30, 2011, retiree premiums range from $186 to $1,472 depending on plan election, dependent coverage, Medicare eligibility, and date of hire.

Actuarial Valuation

The State and School Employees' Life and Health Insurance Plan's Report of the Actuary on the Other Postemployment Benefits Valuation was prepared as of June 30, 2011. The Plan presently has an actuarial valuation performed annually in order to be in compliance with GASB Statement 45.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC was determined assuming the Plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of $51,735,000 is 1.22 percent of annual covered payroll.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB Plan for fiscal year 2011 (amounts expressed in thousands):

Annual required contribution	$	51,735
Interest on prior year net OPEB obligation		2,175
Adjustment to annual required contribution		(1,668)
Annual OPEB cost		52,242
Contributions made		(18,365)
Increase in net OPEB obligation		33,877
Net OPEB obligation – Beginning of year		48,335
Net OPEB obligation – End of year	$	82,212

The following table provides the State's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years as restated (amounts expressed in thousands):

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 43,205	81.9%	$ 27,212
2010	56,277	62.5	48,335
2011	52,242	35.2	82,212

Funded Status and Funding Progress

The following table provides funding information for the most recent actuarial valuation date (amounts expressed in thousands):

Actuarial Valuation Date	June 30, 2011
Actuarial Value of Assets	$ 0
Actuarial Accrued Liability (AAL) Entry Age Normal	$ 652,304
Unfunded AAL (UAAL)	$ 652,304
Funded Ratio	0.0%
Annual Covered Payroll	$ 4,238,716
UAAL as a Percentage of Annual Covered Payroll	15.4%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	June 30, 2011
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.5%
Projected salary increases**	4.5% - 15.0%
Healthcare cost trend rate*	9.5%
Ultimate trend rate	5.0%
Year of ultimate trend rate	2017
* Includes price inflation at	3.5%
** Includes wage inflation at	4.25%

Note 17 - Commitments

A. Operating Leases

The State has entered into numerous agreements to lease land and buildings which are classified as operating leases. These agreements generally contain the provision that, at the expiration date of the lease, the State may renew the operating lease on a month-to-month basis. It is expected that in the normal course of business most of these leases will be renewed or replaced by similar leases. Although the lease terms vary, most leases are subject to annual appropriation by the State Legislature to continue the lease obligation. If an appropriation is reasonably assured, leases

are considered non-cancellable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses when paid or incurred. Future minimum commitments due under non-cancellable operating leases for land and buildings as of June 30, 2011 are as follows (amounts expressed in thousands):

Year Ending June 30		Amount
2012	$	20,911
2013		15,724
2014		12,744
2015		8,801
2016		7,475
2017 - 2021		8,787
2022 - 2026		771
2027 - 2031		582
2032 - 2036		417
2037 - 2041		269
Thereafter		216
Total Minimum Commitments	$	76,697

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2011 amounted to $21,174,000.

B. Contracts

At June 30, 2011, the Department of Transportation had contracts outstanding of approximately $1,008,253,000 with performance continuing during fiscal year 2012. Of this amount $35,649,000 is related to local public agencies, such as planning and development districts, counties and municipalities. These contracts were primarily for construction, repair and maintenance and will be paid through the General Fund. Approximately 63 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific gasoline taxes.

The State Aid Road Division had contracts of $58,943,000 outstanding at June 30, 2011 for construction, repair and maintenance of state and county roads. These contracts will be paid through the General Fund. Approximately 46 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific tax levies.

The Office of Building, Grounds and Real Property Management had outstanding construction, repair and maintenance contracts of $106,492,000 at June 30, 2011. These contracts will be paid from capital projects funds.

The Military Department had contracts outstanding of approximately $9,326,000 at June 30, 2011. Approximately 78 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be paid through the General Fund.

The Port Authority at Gulfport (a major enterprise fund) had contracts outstanding of approximately $2,834,000 at June 30, 2011. These contracts were primarily for construction costs related to security lighting, erosion protection, and fender system repairs. These contracts will be paid from Port Authority at Gulfport's revenues and bonds.

The Department of Information Technology Services had contracts outstanding of approximately $70,943,000 at June 30, 2011. These contracts were primarily for the construction of the Mississippi Wireless Information Network (MSWIN) state-wide digital trunked land mobile radio system. Approximately 90 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by capital projects funds.

C. Encumbrances

Encumbrances represent executed but unperformed purchase orders that are reported within governmental funds as restricted, committed, or assigned fund balance. At June 30, 2011, the encumbrance amounts in the General Fund and nonmajor governmental funds were $36,764,000 and $3,584,000, respectively.

Note 18 - Risk Management

The State has elected to finance most exposures to risk through the retention of risk. The exposures to risk retained by the State are health and life benefits, tort liability, unemployment benefits and workers' compensation benefits. The State utilizes the internal service Risk Management Fund to account for these activities with the noted exception in workers' compensation benefits. Estimates of liabilities for incurred but unpaid claims include both reported and unreported insured events. Nonincremental claims adjustment expenses have not been included as part of the liability for claims and judgments due to immateriality. Changes in claim liabilities recorded in governmental activities for fiscal years 2010 and 2011 are as follows (amounts expressed in thousands):

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2010	$ 154,959	$ 750,951	$ 732,599	$ 173,311
2011	173,311	702,621	714,552	161,380

Health and Life Benefits: The State has elected to manage the health benefit through the retention of all exposure. The life benefit is purchased from a commercial insurance company for death benefit distribution under tax law but management of the risk is accomplished by self insuring within an insured shell. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through this plan.

Estimates of the liability for unpaid claims are actuarially determined using the development method. This method uses past observed patterns of time between claim incurral and payment to estimate incurred claims from available claims data. Liabilities are based on the estimated ultimate cost of settling the claims, including inflation and other factors, and provisions for estimated claims adjustment expenses.

Tort Liability: The State manages tort claims through the retention of all liability exposure. The State Legislature created the Tort Claims Board to administer these claims beginning in fiscal year 1994. Statutory regulations provide some protection, as well as a limitation of liability, for claims filed against state agencies and state employees. There is some limited purchase of commercial insurance by state agencies for excess auto liability and other lines of coverage to fulfill some contractual requirements on out of state operations. There is purchase of insurance for protection of some fleet vehicles, some specified watercraft and specific fixed wing aircraft. In the last three years, settled claims have not exceeded commercial coverage.

Claims payments are financed through an annual assessment to all state agencies based on amount of payroll and past loss history. Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments, as well as the experience of similar programs in other states.

Unemployment Benefits: Unemployment benefits are established in statute and administered by the Mississippi Department of Employment Security. The State elects to manage the financial risk for state agencies through retention of all liability exposure. Benefits are financed through collection of premiums from agencies, which provides a stable cash flow for payment of claims.

Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments, adjusted for changes in covered payrolls.

Workers' Compensation Benefits: Workers' compensation benefits are established in statute and the rules and regulations are established by the Mississippi Workers' Compensation Commission and the Mississippi State Agencies Self-Insured Workers' Compensation Trust Board of Trustees. Four major state agencies have been granted exemption from participation in the Risk Management Fund.

The exposure of risk in the Risk Management Fund is financed mostly through retention of all exposure, with limited purchase of commercial excess insurance. The benefits are financed through collection of premiums, based on an actuarial estimate, from agencies which provides a stable cash flow for claims payments. In the last three years, settled claims have not exceeded commercial coverage. Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments and case reserves development. Liabilities are based on the ultimate costs of settling claims, including inflation and other factors, and include provisions for estimated claims adjustment expenses.

Exempted state agencies cover all claim settlements and judgments with the resources of the General Fund. Claim expenditures and estimates of the related liability are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

Note 19 - Contingencies

A. **Federal Grants** - The State has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the State. The State estimates that the ultimate disallowance pertaining to these grants, if any, will be immaterial to its overall financial condition.

B. **Litigation** - The State is party to various legal proceedings that arise in the normal course of governmental operations. The State's legal counsel believes that they will be successful in defending the State and its agencies in a majority of these cases. In the event that they are not successful in defending such cases, they do not believe that the total liability will exceed $6,053,000. In the opinion of the State, the ultimate disposition of these matters will not have a material adverse effect on the financial position of the State.

C. **Loan Guarantees** - The Mississippi Development Authority (MDA), a state agency, is authorized to provide loan guarantees on behalf of rural businesses for the purpose of promoting business and economic development in rural areas of the state. At June 30, 2011, outstanding MDA loan guarantees totaled $350,000.

The State of Mississippi has co-signed promissory notes issued by the Federal Emergency Management Agency under the Federal Community Disaster Loan Program on behalf of local governments. The program provides operational funding to help local governments, or other political subdivisions of the State, that have incurred a significant loss in revenue, due to a presidentially declared disaster, that has adversely affected their ability to provide essential governmental services. At June 30, 2011, outstanding Community Disaster loan guarantees totaled $71,007,000.

D. **Conduit Debt** - The Mississippi Development Bank (a nonmajor component unit) issues special obligation bonds in order to provide funds for making loans to governmental units. Although the special obligation bonds bear the name of the Bank, the Bank is not responsible for the payment of the bonds but rather the bonds are secured only by the payments agreed to be paid by the governmental units under the terms of the loan agreements. The outstanding balance of special obligation bonds issued by the Bank was approximately $2,478,174,000 at June 30, 2011. The faith, credit and taxing power of the State and the Bank are not pledged to the payment of such bonds.

Note 20 - Endowments

The State of Mississippi Board of Trustees of the Institutions of Higher Learning (IHL) has established an investment policy regarding endowment funds in accordance with Section 79-11-601 through 79-11-617, Miss. Code Ann. (1972), otherwise known as the Uniform Management of Institutional Funds Act (UMIFA). The UMIFA allows the board to appropriate for expenditure for the uses and purposes for which an endowment fund is established, the portion of the net appreciation, realized and unrealized, in the fair value of the assets over the historic dollar value of the fund(s) as is prudent under the facts and circumstances prevailing at the time of the action or decision. In so doing, the law states in part, "they shall consider long and short-term needs of the institution in carrying out its educational, religious, charitable or other eleemosynary purposes, its present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions."

In addition to an investment otherwise authorized by law or by applicable gift instrument, and without restriction to investments a fiduciary may make, the IHL Board, subject to any specific limitations as set forth in the applicable gift instrument or in the applicable law other than law relating to investments by a fiduciary, may invest the funds in any other pooled or common fund available for investment, including shares or interests in regulated investment companies, mutual funds, common trust funds, investment partnerships, real estate investment trusts or similar organizations in which funds are commingled and investment determinations are made by persons other than the IHL Board.

The net appreciation of investments of donor-restricted endowments available for expenditure approximated $42,705,000 at June 30, 2011, and is reported as restricted, expendable net assets in the Universities, a major component unit.

Note 21 - Subsequent Events

The Working Cash Stabilization Reserve Account and budgetary special funds may be used to meet cash flow needs throughout the year when the General Fund experiences projected cash flow deficiencies. As a result, the General Fund has accumulated borrowings outstanding of $176,475,000 from the Working Cash Stabilization Reserve Account and $260,000,000 from budgetary special funds as of December 19, 2011. In order to comply with state law, all borrowings must be repaid by the end of the fiscal year.

The State called $180,000 of Small Enterprise Development Series 1999-L General Obligation Bonds on July 15, 2011 for bonds maturing in years 2011 through 2014.

The State called $840,000 of Small Enterprise Development Series 2001-A General Obligation Bonds on August 15, 2011 for bonds maturing in years 2012 through 2016.

The State entered into a financing agreement on September 28, 2011 to provide funding for a capital improvements project. This agreement resulted in notes payable totaling $7,000,000 payable beginning in year 2012 through 2031 with interest rates ranging from 2% to 5%

Subsequent to year end, the State issued the following bonds and notes:

Taxable General Obligation Note, Series 2011-B totaling $168,050,000 dated July 5, 2011. This note provided funding for Industry Incentive Financing, Existing Industry, and Capital Improvements. Of the total amount held as a line of credit, only $80,000,000 was issued. The note matured on October 31, 2011 and interest was paid at a rate of 1.45%.

Tax-exempt General Obligation Bonds (Capital Improvements Issue), Series 2011-A totaling $353,730,000 dated October 26, 2011. These bonds provided funding for the Jackson Zoo, Ohr-O'Keefe Museum of Art, Children's Museum, Craft Center, Capital Improvements, Greenville Higher Education Center, Future Farmers of America, Museum of Mississippi History, Civil Rights Museum, Local System Bridge Replacement and Rehabilitation, Rural Fire Truck, Statewide Tourism, Cultural Development, Department of Marine Resources Equipment and Facilities, Community Heritage Preservation, Local Governments and Rural Water Systems, Water Pollution Control, City of Jackson Water and Sewer System, Department of Transportation, and refinancing a general obligation bond anticipation note. These bonds mature annually beginning in year 2027 through 2036 with interest rates ranging from 3.5% to 5%.

Tax-exempt General Obligation Refunding Bonds, Series 2011-B totaling $38,280,000 dated October 26, 2011. These bonds mature serially beginning in year 2014 through 2019 with interest rates ranging from 3% to 5%.

Taxable General Obligation Bonds, Series 2011-C totaling $261,300,000 dated October 26, 2011. These bonds provided funding for Industry Incentive Financing, Existing Industry, ACE, Small Municipalities and Limited Population Counties, Rural Impact, Economic Development Highway, Business Investment, Major Economic Impact, Pat Harrison Waterway District Lake Improvements, Wireless Communications System, Capital Improvements, and refinancing a short-term general obligation note. The bonds mature annually beginning in year 2016 through 2027 with interest rates ranging from 1.799% to 4.053%.

Taxable General Obligation Refunding Bonds, Series 2011-D totaling $37,115,000 dated October 26, 2011. These bonds mature serially beginning in year 2012 through 2018 with interest rates ranging from .45% to 2.577%.

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Required Supplementary Information

Required Supplementary Information

Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds

For the Year Ended June 30, 2011 (Expressed in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues				
Sales tax	$ 1,765,000	$ 1,765,000	$ 1,790,784	$ 25,784
Individual income tax	1,353,000	1,353,000	1,382,736	29,736
Corporate income and franchise taxes	393,100	393,100	447,978	54,878
Use and wholesale compensating taxes	206,000	206,000	209,672	3,672
Tobacco, beer and wine taxes	184,700	184,700	188,366	3,666
Insurance tax	188,800	188,800	175,576	(13,224)
Oil and gas severance taxes	65,000	65,000	80,756	15,756
Alcoholic Beverage Control excise and privilege taxes and net profit on sale of alcoholic beverages	65,700	65,700	63,234	(2,466)
Other taxes	7,400	7,400	9,922	2,522
Interest	22,000	22,000	18,472	(3,528)
Auto privilege, tag and title fees	11,065	11,065	10,835	(230)
Gaming fees	153,000	153,000	146,976	(6,024)
Highway Safety Patrol fees	16,600	16,600	20,245	3,645
Other fees and services	12,900	12,900	11,472	(1,428)
Miscellaneous	4,300	4,300	4,325	25
Court assessments and settlements	19,900	19,900	29,700	9,800
Special Fund revenues				
Total Revenues	4,468,465	4,468,465	4,591,049	122,584
Expenditures by Major Budgetary Function				
Legislative	23,962	23,531	23,477	(54)
Judiciary and justice	60,633	60,633	60,469	(164)
Executive and administrative	3,207	3,207	3,180	(27)
Fiscal affairs	54,670	54,670	54,613	(57)
Public education	1,921,851	1,918,275	1,918,235	(40)
Higher education	699,675	694,201	694,198	(3)
Public health	25,876	24,916	24,798	(118)
Hospitals and hospital schools	205,944	202,892	202,883	(9)
Agriculture, commerce and economic development	102,800	103,005	102,978	(27)
Conservation and recreation	46,356	46,106	46,010	(96)
Insurance and banking				
Corrections	312,940	312,940	312,907	(33)
Interdepartmental service				
Social welfare	396,046	396,046	395,389	(657)
Public protection and veterans assistance	88,230	88,230	87,704	(526)
Local assistance	75,109	75,109	75,109	
Motor vehicle and other regulatory agencies	44	44	44	
Miscellaneous	1,232	1,232	1,230	(2)
Public works				
Debt service	361,353	361,353	360,242	(1,111)
Total Expenditures	4,379,928	4,366,390	4,363,466	(2,924)
Excess of Revenues over (under) Expenditures	88,537	102,075	227,583	125,508
Other Financing Sources (Uses)				
Transfers in	15,400	15,400	8,889	(6,511)
Transfers out			(190,900)	(190,900)
Investments purchased, net				
Other sources of cash			5	5
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	103,937	117,475	45,577	(71,898)
Budgetary Fund Balances - Beginning	4,878	4,878	4,878	
Budgetary Fund Balances - Ending	$ 108,815	$ 122,353	$ 50,455	$ (71,898)

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

Education Enhancement Fund				Special Fund			
Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
$ 215,816	$ 226,428	$ 248,666	$ 22,238	$	$	$	$
22,265	20,963	24,639	3,676				
		35	35				
		1	1				
				12,809,968	15,121,636	11,946,634	(3,175,002)
238,081	247,391	273,341	25,950	12,809,968	15,121,636	11,946,634	(3,175,002)
				2	232	230	(2)
				50,177	65,636	54,205	(11,431)
				14,749	21,415	16,879	(4,536)
				92,578	465,926	389,228	(76,698)
206,279	206,279	203,687	(2,592)	1,048,912	1,210,997	1,097,954	(113,043)
81,695	81,695	78,587	(3,108)	194,340	205,146	139,052	(66,094)
				392,596	411,768	328,066	(83,702)
				430,902	458,351	363,726	(94,625)
2,966	2,966	2,929	(37)	1,397,491	1,406,540	632,715	(773,825)
125	125	111	(14)	366,151	775,951	452,808	(323,143)
				66,018	77,237	63,512	(13,725)
				19,023	23,078	20,087	(2,991)
				40,637	53,984	41,691	(12,293)
				5,981,620	6,746,498	6,075,435	(671,063)
				1,323,878	1,594,937	632,775	(962,162)
				27,759	28,740	24,966	(3,774)
450	450	445	(5)	1,159	1,411	1,171	(240)
				1,278,440	1,490,253	1,294,659	(195,594)
				83,536	83,536	39,145	(44,391)
291,515	291,515	285,759	(5,756)	12,809,968	15,121,636	11,668,304	(3,453,332)
(53,434)	(44,124)	(12,418)	31,706			278,330	278,330
						9,861	9,861
						(12,248)	(12,248)
						(3,300)	(3,300)
(53,434)	(44,124)	(12,418)	31,706			272,643	272,643
		12,812	12,812			1,018,576	1,018,576
$ (53,434)	$ (44,124)	$ 394	$ 44,518	$ 0	$ 0	$ 1,291,219	$ 1,291,219

Notes to Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds

For the Year Ended June 30, 2011

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds presents the original legally adopted budget, as well as comparisons of the final legally adopted budget with actual data on a budgetary basis. The State's basis of budgeting is the cash basis plus encumbrances. The State has established three budgetary fund groups to account for its budgetary activities and functions. The General Fund group is established to receive and distribute general tax revenues and other general fund revenues and interest generated thereon. The Education Enhancement Fund group is established to receive specific tax revenues to support various educational programs. The Special Fund group is established to receive federal grants, fees, proceeds from the sale of goods and services, taxes levied for specific purposes and interest generated thereon, and to support the functional activities of the agencies that generate such revenues.

General Fund and Education Enhancement Fund original budget revenues represent the General Fund and Education Enhancement Fund revenue estimates adopted by the Legislative Budget Office at the date of sine die adjournment. Special Fund revenue estimates include anticipated revenues during the year and the amount of beginning cash balances on hand at the beginning of the year that are anticipated to be expended for special fund purposes.

Due to the complexity of the State's budget, a separate *Annual Report of Budgetary Basis Expenditures* has been prepared to present final budget to actual comparisons at the legal level of control. This budgetary report is available at the Department of Finance and Administration.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of differences between budgetary and GAAP presentations for the year ended June 30, 2011 is presented below (amounts expressed in thousands):

Budgetary Funds	**General**	**Education Enhancement**	**Special**
Financial Statement Major Fund	**General**		
Net Change in Budgetary Fund Balances	$ 45,577	$ (12,418)	$ 272,643
Reclassifications:			
Budgetary fund excesses are reclassified to the General Fund for GAAP reporting	270,604	12,418	(283,022)
The State reports amounts in the budgetary funds that are reported in other major and nonmajor funds			10,379
Adjustments:			
The financial reporting fund structure includes funds that are not part of the budgetary fund structure	298,876		
The State's basis of budgeting is the cash basis plus encumbrances, rather than the modified accrual basis	(198,200)		
Lapse period revenues and expenditures are not treated as assets and liabilities in the financial reporting period	212,733		
Net Change in GAAP Fund Balances	$ 629,590	$ 0	$ 0

Required Supplementary Information

Schedule of Funding Progress - Pension Trust Funds

June 30, 2011 (Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b – a)	Percent Funded (a / b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Annual Covered Payroll ((b – a) / c)
Public Employees' Retirement System of Mississippi						
2009	$ 20,597,581	$ 30,594,546	$ 9,996,965	67.3%	$ 5,831,864	171.4%
2010	20,143,426	31,399,988	11,256,562	64.2	5,763,556	195.3
2011	20,315,165	32,654,465	12,339,300	62.2	5,684,624	217.1
Mississippi Highway Safety Patrol Retirement System						
2009	$ 292,322	$ 394,630	$ 102,308	74.1%	$ 26,390	387.7%
2010	281,088	411,277	130,189	68.3	26,353	494.0
2011	278,265	414,432	136,167	67.1	24,872	547.5
Municipal Retirement Systems *						
2008	$ 208,479	$ 368,131	$ 159,652	56.6%	$ 1,713	9,320.0%
2009	191,179	381,036	189,857	50.2	1,608	11,807.0
2010	175,988	372,897	196,909	47.2	1,425	13,818.2
Supplemental Legislative Retirement Plan						
2009	$ 13,386	$ 16,535	$ 3,149	81.0%	$ 6,803	46.3%
2010	13,241	17,081	3,840	77.5	6,605	58.1
2011	13,606	18,605	4,999	73.1	6,810	73.4

* Valuation information furnished for MRS is as of September 30. The value of net assets available for benefits at June 30, 2011, does not differ materially from the value as of September 30, 2010.

Notes to Schedule of Funding Progress - Pension Trust Funds

The funding percentage of the actuarial accrued liability is a measure intended to help users assess the PERS, MHSPRS, MRS and SLRP funding status on a going-concern basis and assess progress being made in accumulating sufficient assets to pay benefits when due. The actuarial value of assets for PERS, MHSPRS, MRS and SLRP is determined on a market-related basis that recognizes 20 percent of the current year's unrecognized and unanticipated gains and losses (both realized and unrealized), as well as 20 percent of the prior years' unrecognized and unanticipated gains and losses (both realized and unrealized). Allocation of the actuarial present value of projected benefits between accrued and future service liabilities is based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, are the same as used to determine the plan's annual required contributions. For additional information regarding this schedule, refer to the separately issued PERS Comprehensive Annual Financial Report for 2011 by writing to Public Employees' Retirement System of Mississippi, 429 Mississippi Street, Jackson, MS 39201-1005.

Required Supplementary Information

Schedule of Funding Progress - Other Postemployment Benefits

June 30, 2011 (Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b – a)	Percent Funded (a / b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Annual Covered Payroll ((b – a) / c)
June 30, 2009	$ 0	$ 755,328	$ 755,328	0.0%	$ 4,613,682	16.4%
June 30, 2010	0	727,711	727,711	0.0	4,470,558	16.3
June 30, 2011	0	652,304	652,304	0.0	4,238,716	15.4

Supplementary Information

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Nonmajor Governmental Funds Descriptions

Special Revenue Funds

Special revenue funds account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes. The numerous special revenue funds used by the state are combined into specific functions.

Health and Social Services - accounts for federal and state monies used to provide vocational rehabilitation services, alcohol abuse treatment and rehabilitation programs, determination of disability eligibility, and administration of the Unemployment Compensation Act. Monies are also received from the settlement of a lawsuit against tobacco companies by the State. The principal and investment income are expended exclusively for health care.

Law, Justice and Public Safety - accounts for federal and state monies used to provide an alternative to incarceration, to oversee criminal justice and highway safety, to provide training for military troops and maintenance of training sites, and to provide for emergency management programs and their administration.

Recreation and Resources Development - accounts for revenues and expenditures related to programs that promote the rice and soybean industries and promote preservation and protection of marine resources.

Regulation of Business and Professions - accounts for revenues and expenditures related to programs that regulate telecommunications, electric, gas, water and sewer utilities, regulate banks and small loan organizations, regulate oil and gas production, regulate various professions controlled by boards and commissions, and administer the provisions of the Mississippi Workers' Compensation Law.

Capital Projects Fund

The Capital Projects Fund accounts for transactions related to resources obtained and used for acquisition, construction or improvement of major capital facilities and other capital assets. Such resources are derived principally from proceeds of general obligation bond issues and transfers from the General Fund.

Permanent Funds

Permanent Funds account for transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government.

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2011 (Expressed in Thousands)

	Special Revenue			
	Health and Social Services	Law, Justice and Public Safety	Recreation and Resources Development	Regulation of Business and Professions
Assets				
Equity in internal investment pool	$ 39,733	$ 47,835	$ 63,227	$ 50,270
Cash and cash equivalents	11,496	5	950	128
Investments	142,167		1,300	
Receivables:				
Interest	294	10	14	5
Other	5,773	3	226	672
Due from other governments	8,850	17,874	791	194
Due from other funds	6,244	2,861	3,055	61
Total Assets	$ 214,557	$ 68,588	$ 69,563	$ 51,330
Liabilities				
Warrants payable	$ 289	$ 3,108	$ 242	$ 332
Accounts payable and accruals	6,739	2,813	1,393	554
Contracts payable				
Due to other governments	743	6,031	481	10
Due to other funds	5,218	10,804	583	598
Due to component units	1,794		312	
Unearned revenues	527	13,637		
Other liabilities				110
Total Liabilities	15,310	36,393	3,011	1,604
Fund Balances				
Nonspendable				
Permanent fund principal				
Restricted				
Education				
Health and social services	15,682			
Law, justice and public safety		28,721		
Recreation and resources development			66,550	
Regulation of business and professions				49,726
Capital projects				
Debt service				
Committed				
Health and social services	183,565			
Law, justice and public safety		3,474		
Recreation and resource development			2	
Total Fund Balances	199,247	32,195	66,552	49,726
Total Liabilities and Fund Balances	$ 214,557	$ 68,588	$ 69,563	$ 51,330

Capital Projects	Permanent	Totals
$ 326,271	$ 2,724	$ 530,060
	2,400	14,979
	55,934	199,401
103	293	719
	1	6,675
		27,709
752		12,973
$ 327,126	$ 61,352	$ 792,516
$ 111	$ 5	$ 4,087
	45	11,544
17,056		17,056
		7,265
15		17,218
		2,106
		14,164
		110
17,182	50	73,550
	54,476	54,476
	4,130	4,130
	661	16,343
		28,721
	2,035	68,585
		49,726
308,706		308,706
1,238		1,238
		183,565
		3,474
		2
309,944	61,302	718,966
$ 327,126	$ 61,352	$ 792,516

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2011 (Expressed in Thousands)

	Special Revenue			
	Health and Social Services	Law, Justice and Public Safety	Recreation and Resources Development	Regulation of Business and Professions
Revenues				
Taxes:				
Gasoline and other motor fuel	$	$	$ 3,050	$
Other			25	4
Licenses, fees and permits	14,472	8	5,358	42,823
Federal government	100,306	291,125	13,053	819
Investment income	48,397	(1,177)	59	113
Charges for sales and services	410	6,361	6,325	228
Rentals		75	7,608	8
Court assessments and settlements	113,161			
Other	25,762	1,656	25,084	555
Total Revenues	302,508	298,048	60,562	44,550
Expenditures				
Current:				
Education				
Health and social services	355,688			
Law, justice and public safety		290,183		
Recreation and resources development			87,465	
Regulation of business and professions				37,713
Debt service:				
Interest and other fiscal charges			32	
Capital outlay				
Total Expenditures	355,688	290,183	87,497	37,713
Excess of Revenues over (under) Expenditures	(53,180)	7,865	(26,935)	6,837
Other Financing Sources (Uses)				
Bonds and notes issued				
Insurance recovery		9	1	
Transfers in	35,305	9,237	1,651	
Transfers out	(33,040)	(13,623)	(5,294)	(160)
Net Other Financing Sources (Uses)	2,265	(4,377)	(3,642)	(160)
Net Change in Fund Balances	(50,915)	3,488	(30,577)	6,677
Fund Balances - Beginning, as restated	250,162	28,707	97,129	43,049
Fund Balances - Ending	$ 199,247	$ 32,195	$ 66,552	$ 49,726

Capital Projects	Permanent	Totals
$	$	$ 3,050
		29
	440	63,101
		405,303
3,741	1,522	52,655
		13,324
		7,691
		113,161
13,601	333	66,991
17,342	2,295	725,305
87,557	91	87,648
		355,688
		290,183
	2	87,467
		37,713
1,110		1,142
84,671		84,671
173,338	93	944,512
(155,996)	2,202	(219,207)
143,827		143,827
72		82
20,041		66,234
(21,080)	(1,000)	(74,197)
142,860	(1,000)	135,946
(13,136)	1,202	(83,261)
323,080	60,100	802,227
$ 309,944	$ 61,302	$ 718,966

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Enterprise funds account for the operations of the state that provide goods or services to the general public on a user charge basis.

Nonmajor Enterprise Funds Descriptions

Fair Commission - The **Fair Commission Fund** accounts for expenses of the Fair Commission's operation of the coliseum, Dixie National Livestock Show and Industrial Showcase Building. Funding sources include gross receipts from the state fair, livestock show, Industrial Building and other events conducted at the coliseum and fairgrounds, as well as transfers from the General Fund.

Veterans' Home Purchase Board - The **Veterans' Home Purchase Board Fund** provides home mortgage loans to qualified Mississippi veterans and accounts for administrative expenses of the Veterans' Home Purchase Board. Revenue is derived from interest earned on loans.

Department of Finance and Administration - The **Veterans' Memorial Stadium Commission Fund** accounts for operations of the Veterans' Memorial Stadium in Jackson. Funding is provided by admission fees and concessions. The **Office of Surplus Property Fund** receives and maintains an inventory of surplus federal property and redistributes it to state agencies and departments, counties, municipalities and other eligible donees within the state. Fees are collected from the donees to offset operating costs.

Yellow Creek Inland Port Authority - The **Yellow Creek Inland Port Authority Fund** accounts for operations of a public port facility at the conjunction of the Tennessee River and Yellow Creek in Tishomingo County, Mississippi. All costs of operating this port are accounted for in this fund. Funding is provided by gross receipts from port operations, proceeds from other governments and investment income.

Department of Rehabilitation Services - The **AbilityWorks Fund** accounts for a statewide system of sheltered workshop facilities through which handicapped citizens receive work experience to prepare them for employment outside the AbilityWorks setting. Revenue is generated from the sale of goods and services and transfers from the rehabilitation services fund.

Department of Agriculture and Commerce - The **Agriculture and Forestry Museum Fund** accounts for operations of the museum. Revenue is generated from the sale of goods, ticket sales and rental income.

Department of Corrections - The **Restaurants and Commissary Fund** accounts for operations of two restaurants and a commissary at the state penitentiary. The restaurants are maintained for the convenience of Department of Corrections penitentiary employees. Profits from the commissary are used for the special benefit of the penitentiary's residents. The **Prison Agricultural Enterprises Fund** accounts for a farming operation. Revenue sources include proceeds from the sale of row crops and rental income from leased land.

Combining Statement of Net Assets

June 30, 2011 (Expressed in Thousands)

	Fair Commission	Veterans' Home Purchase Board	Department of Finance and Administration: Veterans' Memorial Stadium Commission	Department of Finance and Administration: Office of Surplus Property
Assets				
Current assets:				
Equity in internal investment pool	$ 1,684	$ 23,396	$ 114	$ 1,358
Cash and cash equivalents	58	75		
Receivables, net:				
Accounts	37	3		1
Interest		681		
Restricted assets:				
Cash and cash equivalents				
Due from other governments		19		2
Due from other funds	49		10	
Due from component units	4			
Inventories				18
Prepaid items		20		
Loans and notes receivable		5,675		
Total Current Assets	1,832	29,869	124	1,379
Noncurrent assets:				
Loans and notes receivable		168,826		
Capital assets:				
Land and construction in progress	840	226	143	100
Other capital assets, net	15,124	1,245	9,984	324
Total Noncurrent Assets	15,964	170,297	10,127	424
Total Assets	17,796	200,166	10,251	1,803
Liabilities				
Current liabilities:				
Warrants payable	64	57	33	12
Accounts payable and other liabilities	99	20	32	30
Payable from restricted assets				
Due to other governments	7		2	2
Due to other funds	1	5	1	1
Due to component units				
Deposits		1,744		
Unearned revenues	85			
Lease obligations payable				
Total Current Liabilities	256	1,826	68	45
Noncurrent liabilities:				
Due to other governments				
Lease obligations payable				
Other liabilities	74	51		25
Total Noncurrent Liabilities	74	51		25
Total Liabilities	330	1,877	68	70
Net Assets				
Invested in capital assets, net of related debt	15,964	1,471	10,127	424
Unrestricted	1,502	196,818	56	1,309
Total Net Assets	$ 17,466	$ 198,289	$ 10,183	$ 1,733

	Department of Rehabilitation Services	Department of Agriculture and Commerce	Department of Corrections		
Yellow Creek Inland Port Authority	AbilityWorks	Agriculture and Forestry Museum	Restaurants and Commissary	Prison Agricultural Enterprises	**Totals**
$	$	$ 57	$	$ 1,063	$ 27,672
2,469	8,789	33	993		12,417
173	3,545		638		4,397
					681
500					500
					21
	1,995			78	2,132
					4
	163	32		225	438
17	10				47
51					5,726
3,210	14,502	122	1,631	1,366	54,035
606					169,432
2,249		1,690			5,248
13,592		2,434	57	3,090	45,850
16,447		4,124	57	3,090	220,530
19,657	14,502	4,246	1,688	4,456	274,565
		8		8	182
42	2,188	12	534	194	3,151
190					190
1,027					1,038
83	331		1,158		1,580
				2	2
					1,744
					85
				237	237
1,342	2,519	20	1,692	441	8,209
8,249					8,249
				381	381
32		34		176	392
8,281		34		557	9,022
9,623	2,519	54	1,692	998	17,231
8,550		4,124	57	2,472	43,189
1,484	11,983	68	(61)	986	214,145
$ 10,034	$ 11,983	$ 4,192	$ (4)	$ 3,458	$ 257,334

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Year Ended June 30, 2011 (Expressed in Thousands)

	Fair Commission	Veterans' Home Purchase Board	Department of Finance and Administration: Veterans' Memorial Stadium Commission	Department of Finance and Administration: Office of Surplus Property
Operating Revenues				
Charges for sales and services	$ 4,966	$	$ 1,152	$ 975
Investment income		8,422		
Rentals		47	768	
Fees		58		
Other	374	3		
Total Operating Revenues	5,340	8,530	1,920	975
Operating Expenses				
Cost of sales and services	88			
General and administrative	1,022	809	427	413
Contractual services	3,917	240	1,312	138
Commodities	447	40	144	51
Depreciation	476	39	425	43
Other	180	12		
Total Operating Expenses	6,130	1,140	2,308	645
Operating Income (Loss)	(790)	7,390	(388)	330
Nonoperating Revenues				
Investment income		347	2	2
Sale of investments				
Other				
Total Nonoperating Revenues		347	2	2
Nonoperating Expenses				
Loss on disposal of capital assets	4		3	4
Interest				
Other				
Total Nonoperating Expenses	4		3	4
Income (Loss) before Capital Contributions and Transfers	(794)	7,737	(389)	328
Capital Contributions				
Transfers In	10			
Transfers Out				(44)
Change in Net Assets	(784)	7,737	(389)	284
Total Net Assets - Beginning	18,250	190,552	10,572	1,449
Total Net Assets - Ending	$ 17,466	$ 198,289	$ 10,183	$ 1,733

		Department of Rehabilitation Services	Department of Agriculture and Commerce	Department of Corrections		
Yellow Creek Inland Port Authority	AbilityWorks	Agriculture and Forestry Museum	Restaurants and Commissary	Prison Agricultural Enterprises	**Totals**
$ 1,143	$ 7,992	$ 134	$ 8,943	$ 1,409	$ 26,714
					8,422
883		334		604	2,636
					58
39	535	18	20		989
2,065	8,527	486	8,963	2,013	38,819
	7,312	74	6,569	686	14,729
641	5,952	388	483	428	10,563
943	1,435	327	489	91	8,892
63	32	80	217	964	2,038
613		152	23	213	1,984
10		1			203
2,270	14,731	1,022	7,781	2,382	38,409
(205)	(6,204)	(536)	1,182	(369)	410
38	44				433
368					368
500					500
906	44				1,301
12		1	1		25
				47	47
190					190
202		1	1	47	262
499	(6,160)	(537)	1,181	(416)	1,449
		16			16
	8,113	391	23	873	9,410
(6)			(1,212)		(1,262)
493	1,953	(130)	(8)	457	9,613
9,541	10,030	4,322	4	3,001	247,721
$ 10,034	$ 11,983	$ 4,192	$ (4)	$ 3,458	$ 257,334

Combining Statement of Cash Flows

For the Year Ended June 30, 2010 (Expressed in Thousands)

	Fair Commission	Veterans' Home Purchase Board	Department of Finance and Administration: Veterans' Memorial Stadium Commission	Department of Finance and Administration: Office of Surplus Property
Cash Flows from Operating Activities				
Cash receipts from customers	$ 5,555	$ 88	$ 1,910	$ 986
Cash payments to suppliers for goods and services	(4,690)	(278)	(1,471)	(272)
Cash payments to employees for services	(1,002)	(807)	(462)	(404)
Other operating cash receipts		1		
Other operating cash payments	(14)	(28)		
Principal and interest received on program loans		24,499		
Issuance of program loans		(13,322)		
Net Cash Provided by (Used for) Operating Activities	(151)	10,153	(23)	310
Cash Flows from Noncapital Financing Activities				
Transfers in	10			
Transfers out				(44)
Other cash receipts				
Proceeds from other governments				
Principal paid to other governments				
Net Cash Provided by (Used for) Noncapital Financing Activities	10			(44)
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets		(9)	(5)	(14)
Proceeds from sale of capital assets	1			
Principal paid on bonds and capital assets contracts				
Interest paid on bonds and capital assets contracts				
Net Cash Provided by (Used for) Capital and Related Financing Activities	1	(9)	(5)	(14)
Cash Flows from Investing Activities				
Proceeds from sale of investments				
Investment income		344	2	2
Net Cash Provided by Investing Activities		344	2	2
Net Change in Cash and Cash Equivalents	(140)	10,488	(26)	254
Cash and Cash Equivalents - Beginning	1,882	12,983	140	1,104
Cash and Cash Equivalents - Ending	$ 1,742	$ 23,471	$ 114	$ 1,358

	Department of Rehabilitation Services	Department of Agriculture and Commerce	Department of Corrections		
Yellow Creek Inland Port Authority	AbilityWorks	Agriculture and Forestry Museum	Restaurants and Commissary	Prison Agricultural Enterprises	**Totals**
$ 2,138	$ 8,181	$ 487	$ 9,014	$ 2,013	$ 30,372
(967)	(8,347)	(498)	(7,313)	(1,622)	(25,458)
(621)	(5,951)	(392)	(466)	(440)	(10,545)
	535				536
					(42)
					24,499
					(13,322)
550	(5,582)	(403)	1,235	(49)	6,040
350	8,113	391	24	960	9,848
(6)			(1,100)		(1,150)
500					500
770					770
(500)					(500)
1,114	8,113	391	(1,076)	960	9,468
				(45)	(73)
39		2	1		43
				(223)	(223)
				(48)	(48)
39		2	1	(316)	(301)
368					368
38	44				430
406	44				798
2,109	2,575	(10)	160	595	16,005
860	6,214	100	833	468	24,584
$ 2,969	$ 8,789	$ 90	$ 993	$ 1,063	$ 40,589

(Continued on Next Page)

Combining Statement of Cash Flows

For the Year Ended June 30, 2011 (Expressed in Thousands)

(Continued from Previous Page)

	Fair Commission	Veterans' Home Purchase Board	Department of Finance and Administration: Veterans' Memorial Stadium Commission	Department of Finance and Administration: Office of Surplus Property
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating income (loss)	$ (790)	$ 7,390	$ (388)	$ 330
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	476	39	425	43
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable, net	128			(1)
Interest receivable		(17)		
Due from other governments		(18)		7
Due from other funds	107		(10)	
Due from component units				5
Inventories				(10)
Prepaid items		(5)		
Loans and notes receivable		3,368		
Increase (decrease) in liabilities:				
Warrants payable	(1)	(613)	12	4
Accounts payable and other liabilities	(51)	12	(34)	(71)
Due to other governments	7		2	2
Due to other funds	(6)	(3)		1
Due to component units			(30)	
Unearned revenues	(21)			
Total adjustments	639	2,763	365	(20)
Net Cash Provided by (Used for) Operating Activities	$ (151)	$ 10,153	$ (23)	$ 310
Noncash Capital and Related Financing Activities				
Capital contributions				
Loss on disposal of capital assets	4		3	4

		Department of Rehabilitation Services	Department of Agriculture and Commerce	Department of Corrections		
Yellow Creek Inland Port Authority	AbilityWorks	Agriculture and Forestry Museum	Restaurants and Commissary	Prison Agricultural Enterprises	**Totals**
$ (205)	$ (6,204)	$ (536)	$ 1,182	$ (369)	$ 410
613		152	23	213	1,984
2	(1,033)		52		(852)
					(17)
23					12
	1,486	1			1,584
	5				10
	(20)	(6)		71	35
1	(1)				(5)
57					3,425
		(3)		1	(600)
(18)	122	(11)	(22)	33	(40)
					11
77	331				400
				2	(28)
	(268)				(289)
755	622	133	53	320	5,630
$ 550	$ (5,582)	$ (403)	$ 1,235	$ (49)	$ 6,040
		16			16
12		1	1		25

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Internal Service Funds

Internal service funds account for the operations of state agencies that provide services or goods to other state agencies or governmental units on a cost reimbursement basis.

Internal Service Funds Descriptions

Personnel Board - The **Personnel Board Fund** accounts for the expenses of establishing personnel policies, regulating the pay of state employees, and validating new hires. Revenues consist of assessments charged to state agencies based on the number of authorized positions.

Information Technology Services - The **Information Technology Services Fund** accounts for the centralized data processing and information devices, expenses related to planning and policies for the development of data processing capabilities and for the State's central telephone system, the Universities' central telephone systems and other governmental units' telephone systems. Revenues consist of charges to user agencies, universities, and governmental units for services and equipment. Other revenue consists of commissions from the usage of public utility companies' pay telephones located on state properties.

Department of Finance and Administration - The **Risk Management Fund** accounts for resources and transactions pertaining to the State's self-insured medical plan and life insurance program as mandated by state law to be offered to state and public education employees. Funding is provided by premiums collected from active and retired employees, local school districts, and the State's operating fund. This fund also accounts for unemployment benefits paid to eligible former state employees and for resources and transactions pertaining to the State's self-insured workers' compensation program. Funding is provided by premiums collected from the State's operating fund and participating state agencies. In addition, the fund accounts for resources and transactions pertaining to the State's self-insured tort claims program. Funding is provided by assessments of state agencies. Tort claims filed against state agencies and state employees are paid from this fund, as well as administrative expenses.

Combining Statement of Net Assets

June 30, 2011 (Expressed in Thousands)

	Personnel Board	Information Technology Services	Department of Finance and Administration: Risk Management	Totals
Assets				
Current assets:				
Equity in internal investment pool	$ 1,691	$ 8,080	$ 231,682	$ 241,453
Cash and cash equivalents			79,640	79,640
Investments			7,236	7,236
Receivables:				
Accounts	7	18	83	108
Interest			227	227
Due from other governments	3	262	56	321
Due from other funds	32	3,893	26,425	30,350
Due from component units	1	74	704	779
Total Current Assets	1,734	12,327	346,053	360,114
Noncurrent assets:				
Investments			23,410	23,410
Other capital assets, net	110	6,410	74	6,594
Total Noncurrent Assets	110	6,410	23,484	30,004
Total Assets	1,844	18,737	369,537	390,118
Liabilities				
Current liabilities:				
Warrants payable	116	805	32	953
Accounts payable and other liabilities	109	1,459	4,624	6,192
Due to other governments		3	4	7
Due to other funds	145	22	1,576	1,743
Due to component units		3	31	34
Claims and benefits payable			115,047	115,047
Unearned revenues			13,389	13,389
Total Current Liabilities	370	2,292	134,703	137,365
Noncurrent liabilities:				
Claims and benefits payable			36,796	36,796
Other liabilities	255	729	130	1,114
Total Noncurrent Liabilities	255	729	36,926	37,910
Total Liabilities	625	3,021	171,629	175,275
Net Assets				
Invested in capital assets, net of related debt	110	5,788	74	5,972
Unrestricted	1,109	9,928	197,834	208,871
Total Net Assets	$ 1,219	$ 15,716	$ 197,908	$ 214,843

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Year Ended June 30, 2011 (Expressed in Thousands)

	Personnel Board	Information Technology Services	Department of Finance and Administration Risk Management	Totals
Operating Revenues				
Charges for sales and services/premiums	$ 4,779	$ 36,333	$ 806,178	$ 847,290
Other	1		19	20
Total Operating Revenues	4,780	36,333	806,197	847,310
Operating Expenses				
General and administrative	3,636	9,620	1,671	14,927
Contractual services	1,555	23,396	48,559	73,510
Commodities	135	465	63	663
Depreciation	74	2,185	12	2,271
Claims and benefits			695,646	695,646
Total Operating Expenses	5,400	35,666	745,951	787,017
Operating Income (Loss)	(620)	667	60,246	60,293
Nonoperating Revenues				
Investment income			2,632	2,632
Total Nonoperating Revenues			2,632	2,632
Nonoperating Expenses				
Loss on disposal of capital assets	32	14		46
Total Nonoperating Expenses	32	14		46
Income (Loss) before Capital Contributions and Transfers	(652)	653	62,878	62,879
Capital Contributions		997		997
Transfers In	59	622	264	945
Transfers Out	(148)	(300)	(118)	(566)
Change in Net Assets	(741)	1,972	63,024	64,255
Total Net Assets - Beginning	1,960	13,744	134,884	150,588
Total Net Assets - Ending	$ 1,219	$ 15,716	$ 197,908	$ 214,843

Combining Statement of Cash Flows

For the Year Ended June 30, 2011 (Expressed in Thousands)

	Personnel Board	Information Technology Services	Department of Finance and Administration Risk Management	Totals
Cash Flows from Operating Activities				
Cash receipts/premiums from interfund services provided	$ 4,723	$ 34,665	$ 211,451	$ 250,839
Cash receipts/premiums from customers	65	1,441	579,156	580,662
Cash payments to suppliers for goods and services	(1,566)	(25,063)	(49,613)	(76,242)
Cash payments to employees for services	(3,594)	(9,625)	(1,658)	(14,877)
Cash payments for claims and benefits			(708,331)	(708,331)
Other operating cash receipts	1		2	3
Net Cash Provided by (Used for) Operating Activities	(371)	1,418	31,007	32,054
Cash Flows from Noncapital Financing Activities				
Transfers in	162	627	262	1,051
Transfers out	(148)	(300)	(97)	(545)
Net Cash Provided by Noncapital Financing Activities	14	327	165	506
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(116)	(1,164)		(1,280)
Net Cash Used for Capital and Related Financing Activities	(116)	(1,164)		(1,280)
Cash Flows from Investing Activities				
Proceeds from sales of investments			5,092	5,092
Purchases of investments			(10,857)	(10,857)
Investment income			2,980	2,980
Net Cash Used for Investing Activities			(2,785)	(2,785)
Net Change in Cash and Cash Equivalents	(473)	581	28,387	28,495
Cash and Cash Equivalents - Beginning	2,164	7,499	282,935	292,598
Cash and Cash Equivalents - Ending	$ 1,691	$ 8,080	$ 311,322	$ 321,093

(Continued on Next Page)

Combining Statement of Cash Flows

For the Year Ended June 30, 2011 (Expressed in Thousands)

(Continued from Previous Page)

	Personnel Board	Information Technology Services	Department of Finance and Administration: Risk Management	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating income (loss)	$ (620)	$ 667	$ 60,246	$ 60,293
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	74	2,185	12	2,271
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(4)	(1)	(83)	(88)
Due from other governments	(2)	(83)	(56)	(141)
Due from other funds	16	(147)	(25,921)	(26,052)
Due from component units	(1)	4	(687)	(684)
Increase (decrease) in liabilities:				
Warrants payable	32	(487)	(103)	(558)
Accounts payable and other liabilities	20	(727)	(924)	(1,631)
Due to other governments	(10)	3	4	(3)
Due to other funds	124	1	67	192
Due to component units		3	24	27
Claims and benefits payable			(12,731)	(12,731)
Unearned revenues			11,159	11,159
Total adjustments	249	751	(29,239)	(28,239)
Net Cash Provided by (Used for) Operating Activities	$ (371)	$ 1,418	$ 31,007	$ 32,054
Noncash Capital and Related Financing and Investing Activities				
Capital contributions		997		997
Loss on disposal of capital assets	32	14		46
Change in market value of investments			(248)	(248)

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Fiduciary Funds

Fiduciary funds account for assets held in a trustee or agency capacity for others and cannot be used to support government's own programs.

Fiduciary Funds Descriptions

Pension Trust Funds

Public Employees' Retirement System - The **Public Employees' Retirement System Fund** provides retirement and disability benefits to substantially all employees of the state and its political subdivisions. Benefits are funded by contributions from the members, the state and political subdivisions and by investment income. The **Mississippi Highway Safety Patrol Retirement System Fund** provides retirement and disability benefits to sworn officers of the Department of Public Safety. Benefits are funded by contributions from the members and the state and by investment income. The **Municipal Retirement Systems Fund** provides retirement and disability benefits to employees, firefighters and police officers of participating municipalities. Benefits are funded by contributions from the members and the municipalities and by investment income. The **Supplemental Legislative Retirement Plan Fund** provides retirement and disability benefits supplemental to the benefits of the Public Employees' Retirement System to all elected members of the legislature and the president of the senate. Benefits are funded by contributions from the members and the state and by investment income. The **Deferred Compensation Plan Fund** accounts for deposits of gross compensation deferred by employees of the state and its political subdivisions. Political subdivisions may make contributions on behalf of their employees. Deposits are invested until retirement, severance from public service, death or extreme hardship of the individual participants.

Agency Funds

The **Local Government Distributive Fund** serves as a clearing mechanism for funds distributed to the various counties and municipalities of the state. The **Program Fund** accounts for receipt of various taxes, refundable deposits, inventories, and other monies collected or recovered to be held until the state has the right or obligation to distribute them to state operating funds or to various entities or individuals. The **Institutional Fund** accounts for deposits to various institutional accounts and other receipts held by the state until there is proper authorization to disburse them directly to others.

Combining Statement of Fiduciary Net Assets

June 30, 2011 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Assets			
Equity in internal investment pool	$ 1,185	$	$
Cash and cash equivalents	411,722	5,617	3,480
Investments, at fair value:			
Short-term securities	23,893	326	202
Debt securities	4,340,642	59,255	36,704
Equity securities	14,006,470	191,205	118,438
Private equity	211,439	2,886	1,788
Real estate investments	1,279,245	17,463	10,817
Asset allocation fund			
Fixed rate and variable			
Life insurance contracts			
Securities lending:			
Short-term securities	2,202,218	30,171	18,689
Debt securities	949,328	13,006	8,057
Receivables:			
Employer contributions	43,054		930
Employee contributions	32,035		9
Investment proceeds	186,058	2,540	1,573
Interest and dividends	72,143	985	610
Other	687	747	3
Due from other funds	19		
Capital assets:			
Land and construction in progress	4,774		
Other capital assets, net	14,720		
Total Assets	23,779,632	324,201	201,300
Liabilities			
Warrants payable	132		
Accounts payable and accruals	250,452	3,458	2,083
Due to other funds	16		19
Obligations under securities lending	3,151,796	43,180	26,747
Total Liabilities	3,402,396	46,638	28,849
Net Assets			
Held in trust for pension benefits	$ 20,377,236	$ 277,563	$ 172,451

Supplemental Legislative Retirement Plan	Government Employees' Deferred Compensation Plan	Totals
$	$	$ 1,185
279	3,528	424,626
16	22,529	46,966
2,939	56,116	4,495,656
9,485	620,377	14,945,975
143		216,256
866		1,308,391
	57,901	57,901
	529,433	529,433
	358	358
1,497		2,252,575
645		971,036
		43,984
	2,850	34,894
126		190,297
49	272	74,059
		1,437
		19
		4,774
		14,720
16,045	1,293,364	25,614,542
		132
166	500	256,659
		35
2,142		3,223,865
2,308	500	3,480,691
$ 13,737	$ 1,292,864	$ 22,133,851

Combining Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2011 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Additions			
Contributions:			
Employer	$ 723,836	$ 8,067	$ 22,860
Employee	533,369	1,948	126
Total Contributions	1,257,205	10,015	22,986
Net Investment Income:			
Net change in fair value of investments	3,676,915	50,375	31,203
Interest and dividends	514,235	7,045	4,364
Securities lending:			
Income from securities lending	20,092	275	171
Interest expense and trading costs from securities lending	(2,391)	(32)	(20)
Managers' fees and trading costs	(41,809)	(573)	(355)
Net Investment Income	4,167,042	57,090	35,363
Other Additions:			
Administrative fees	628		
Other	11	3,427	
Total Other Additions	639	3,427	
Total Additions	5,424,886	70,532	58,349
Deductions			
Retirement annuities	1,734,475	25,620	35,609
Refunds to terminated employees	88,343	60	35
Administrative expenses	12,637	162	457
Depreciation	409		
Total Deductions	1,835,864	25,842	36,101
Change in Net Assets	3,589,022	44,690	22,248
Net Assets - Beginning	16,788,214	232,873	150,203
Net Assets - Ending	$ 20,377,236	$ 277,563	$ 172,451

Supplemental Legislative Retirement Plan	Government Employees' Deferred Compensation Plan	Totals
$ 457	$ 914	$ 756,134
206	87,394	623,043
663	88,308	1,379,177
2,499	150,337	3,911,329
349	31,873	557,866
14		20,552
(2)		(2,445)
(28)		(42,765)
2,832	182,210	4,444,537
		628
		3,438
		4,066
3,495	270,518	5,827,780
828	69,397	1,865,929
		88,438
9		13,265
		409
837	69,397	1,968,041
2,658	201,121	3,859,739
11,079	1,091,743	18,274,112
$ 13,737	$ 1,292,864	$ 22,133,851

Combining Statement of Fiduciary Net Assets

June 30, 2011 (Expressed in Thousands)

	Local Government Distributive	Program	Institutional	Totals
Assets				
Equity in internal investment pool	$ 426	$ 6,187	$	$ 6,613
Cash and cash equivalents	232	26,009	6,840	33,081
Receivables, net:				
Other	375		56	431
Commodity inventory		786		786
Total Assets	$ 1,033	$ 32,982	$ 6,896	$ 40,911
Liabilities				
Warrants payable	$ 27	$ 53	$	$ 80
Accounts payable and accruals		20,197	1,514	21,711
Due to other governments	1,006	1		1,007
Amounts held in custody for others		12,731	5,382	18,113
Total Liabilities	$ 1,033	$ 32,982	$ 6,896	$ 40,911

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2011 (Expressed in Thousands)

Fund	Equity in Internal Investment Pool	Cash and Cash Equivalents	Receivables	Commodity Inventory	Total Assets
Assets					
Local Government Distributive:					
Balance - Beginning	$ 7,092	$ 211	$ 368	$	$ 7,671
Additions	38,627	257	375		39,259
Deductions	45,293	236	368		45,897
Balance - Ending	426	232	375		1,033
Program:					
Balance - Beginning	5,170	27,434		466	33,070
Additions	3,362	62,497		18,263	84,122
Deductions	2,345	63,922		17,943	84,210
Balance - Ending	6,187	26,009		786	32,982
Institutional:					
Balance - Beginning		7,262	41		7,303
Additions		32,240	74		32,314
Deductions		32,662	59		32,721
Balance - Ending		6,840	56		6,896
Total - All Agency Funds:					
Balance - Beginning	12,262	34,907	409	466	48,044
Additions	41,989	94,994	449	18,263	155,695
Deductions	47,638	96,820	427	17,943	162,828
Balance - Ending	$ 6,613	$ 33,081	$ 431	$ 786	$ 40,911

Fund	Warrants Payable	Accounts Payable and Accruals	Due to Other Governments	Amounts Held In Custody for Others	Total Liabilities
Liabilities					
Local Government Distributive:					
Balance - Beginning	$ 6,517	$ 1	$ 1,153	$	$ 7,671
Additions	27,082		1,338		28,420
Deductions	33,572	1	1,485		35,058
Balance - Ending	27	0	1,006		1,033
Program:					
Balance - Beginning	67	18,659	1	14,343	33,070
Additions	1,742	20,607		61,444	83,793
Deductions	1,756	19,069		63,056	83,881
Balance - Ending	53	20,197	1	12,731	32,982
Institutional:					
Balance - Beginning		1,510		5,793	7,303
Additions		614		31,779	32,393
Deductions		610		32,190	32,800
Balance - Ending		1,514		5,382	6,896
Total - All Agency Funds:					
Balance - Beginning	6,584	20,170	1,154	20,136	48,044
Additions	28,824	21,221	1,338	93,223	144,606
Deductions	35,328	19,680	1,485	95,246	151,739
Balance - Ending	$ 80	$ 21,711	$ 1,007	$ 18,113	$ 40,911

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Nonmajor Component Units

Component Units are organizations which are legally separate from the state for which the state is financially accountable, or for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete.

Nonmajor Component Units Descriptions

Mississippi Business Finance Corporation - The corporation coordinates and oversees the delivery of services to small business communities of Mississippi.

Mississippi Coast Coliseum Commission - The commission accounts for the promoting, developing, maintenance and operation of a multi-purpose coliseum and related facilities located in Harrison County, Mississippi.

Mississippi Development Bank - The bank fosters and promotes the provision of adequate markets and facilities for the borrowing of funds for public purposes by governmental units.

Mississippi Prison Industries Corporation - The corporation is engaged in the manufacture of cloth related items, printing of forms, periodicals and manuals, and providing service work for manufacturers. Revenue is generated from the charges for goods and services.

Pat Harrison Waterway District - The district accounts for resources used to bring about the full beneficial use of surface and overflow waters of the Pascagoula River Basin.

Pearl River Basin Development District - The district accounts for resources used to preserve, conserve, store and regulate the waters of the Pearl River and its tributaries and their overflows.

Pearl River Valley Water Supply District - The district accounts for the operation and maintenance of the Ross Barnett Reservoir and surrounding lands, to provide water supply, flood reduction and recreational opportunities.

Tombigbee River Valley Water Management District - The district accounts for the development and conservation of the human and natural resources of Mississippi counties in which the Tombigbee River or any of its tributaries lie.

Nonmajor Component Units

Combining Statement of Net Assets

June 30, 2011 (Expressed in Thousands)

	Mississippi Business Finance Corporation	Mississippi Coast Coliseum Commission	Mississippi Development Bank
Assets			
Current assets:			
Equity in internal investment pool	$ 1,949	$	$
Cash and cash equivalents	643	1,326	666
Investments	13,412	2,580	3,336
Receivables, net	77	491	12
Due from other governments			
Due from primary government			
Inventories			
Prepaid items		241	
Other assets			
Total Current Assets	16,081	4,638	4,014
Noncurrent assets:			
Restricted assets:			
Investments		7,000	
Capital assets:			
Land		3,594	
Other capital assets, net	73	123,063	29
Total Noncurrent Assets	73	133,657	29
Total Assets	16,154	138,295	4,043
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	58	310	
Due to primary government			
Deposits		657	
Unearned revenues		463	
Notes payable			
Total Current Liabilities	58	1,430	
Noncurrent liabilities:			
Notes payable			
Other liabilities	60		
Total Noncurrent Liabilities	60		
Total Liabilities	118	1,430	
Net Assets			
Invested in capital assets, net of related debt	73	126,657	29
Restricted for other purposes		7,000	
Unrestricted	15,963	3,208	4,014
Total Net Assets	$ 16,036	$ 136,865	$ 4,043

Mississippi Prison Industries Corporation	Pat Harrison Waterway District	Pearl River Basin Development District	Pearl River Valley Water Supply District	Tombigbee River Valley Water Management District	Totals
$	$	$	$	$	$ 1,949
458	2,440	272	5,114	6,652	17,571
4,000	4,692	4,468		2,250	34,738
883	2	12	1,542	53	3,072
	43	145		46	234
251	27	1			279
1,214	21				1,235
22					263
15					15
6,843	7,225	4,898	6,656	9,001	59,356
					7,000
404	1,834	1,523	7,689	930	15,974
3,391	5,442	1,333	31,580	3,642	168,553
3,795	7,276	2,856	39,269	4,572	191,527
10,638	14,501	7,754	45,925	13,573	250,883
605	1,975	41	1,037	21	4,047
	359		345	1	705
	10				667
103					566
	40				40
708	2,384	41	1,382	22	6,025
	270				270
	148	24	386	72	690
	418	24	386	72	960
708	2,802	65	1,768	94	6,985
3,795	6,966	2,856	39,268	4,572	184,216
	1,750	4,368			13,118
6,135	2,983	465	4,889	8,907	46,564
$ 9,930	$ 11,699	$ 7,689	$ 44,157	$ 13,479	$ 243,898

Combining Statement of Activities

For the Year Ended June 30, 2011 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Mississippi Business Finance Corporation	$ 1,095	$ 1,349	$	$	$ 254
Mississippi Coast Coliseum Commission	9,010	6,644	255		(2,111)
Mississippi Development Bank	354	238			(116)
Mississippi Prison Industries Corporation	7,299	7,564			265
Pat Harrison Waterway District	6,521	3,157	2,935		(429)
Pearl River Basin Development District	713	94			(619)
Pearl River Valley Water Supply District	11,605	11,166		127	(312)
Tombigbee River Valley Water Management District	1,713	621			(1,092)
Total	$ 38,310	$ 30,833	$ 3,190	$ 127	$ (4,160)

General Revenues					
Investment Income	Other	Change in Net Assets	Net Assets - Beginning	Net Assets - Ending	
$ 314	$	$ 568	$ 15,468	$ 16,036	
197		(1,914)	138,779	136,865	
41	271	196	3,847	4,043	
4	21	290	9,640	9,930	
69	2	(358)	12,057	11,699	
43	570	(6)	7,695	7,689	
		(312)	44,469	44,157	
172	1,542	622	12,857	13,479	
$ 840	$ 2,406	$ (914)	$ 244,812	$ 243,898	

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Mississippi

Statistical Section

The Statistical Section provides additional historical perspective, context, and detail to assist financial statement users in understanding the State of Mississippi's overall financial health.

Financial Trends
These tables contain trend information to help users in understanding how the State's financial position has changed over time.

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Debt Capacity
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Net Assets by Component

Last Ten Fiscal Years **Table 1**

Accrual Basis of Accounting (Expressed in Thousands)

	2011	2010	2009	2008
Governmental activities				
Invested in capital assets, net of related debt	$ 11,888,865	$ 11,408,744	$ 10,980,353	$ 10,642,484
Restricted	3,480,202	655,192	625,174	667,456
Unrestricted	(2,680,509)	(267,768)	(336,905)	29,649
Total governmental activities net assets	$ 12,688,558	$ 11,796,168	$ 11,268,622	$ 11,339,589
Business-type activities				
Invested in capital assets, net of related debt	$ 218,713	$ 208,101	$ 195,171	$ 161,144
Restricted	433,703	433,216	614,988	778,010
Unrestricted	250,052	202,455	192,005	209,175
Total business-type activities net assets	$ 902,468	$ 843,772	$ 1,002,164	$ 1,148,329
Primary Government				
Invested in capital assets, net of related debt	$ 12,107,578	$ 11,616,845	$ 11,175,524	$ 10,803,628
Restricted	3,913,905	1,088,408	1,240,162	1,445,466
Unrestricted	(2,430,457)	(65,313)	(144,900)	238,824
Total primary government net assets	$ 13,591,026	$ 12,639,940	$ 12,270,786	$ 12,487,918

Note: This table has been restated for prior period adjustments.

2007	2006	2005	2004	2003	2002
$ 9,770,760	$ 8,883,410	$ 8,306,585	$ 7,915,868	$ 7,173,292	$ 6,727,606
477,321	427,128	336,262	476,794	636,014	601,879
575,042	159,530	(120,923)	(122,396)	568,556	747,945
$ 10,823,123	$ 9,470,068	$ 8,521,924	$ 8,270,266	$ 8,377,862	$ 8,077,430
$ 136,836	$ 112,393	$ 143,055	$ 138,166	$ 133,594	$ 120,320
784,367	789,759	807,059	750,915	739,605	787,669
243,751	209,745	169,590	157,241	132,382	123,491
$ 1,164,954	$ 1,111,897	$ 1,119,704	$ 1,046,322	$ 1,005,581	$ 1,031,480
$ 9,907,596	$ 8,995,803	$ 8,449,640	$ 8,054,034	$ 7,306,886	$ 6,847,926
1,261,688	1,216,887	1,143,321	1,227,709	1,375,619	1,389,548
818,793	369,275	48,667	34,845	700,938	871,436
$ 11,988,077	$ 10,581,965	$ 9,641,628	$ 9,316,588	$ 9,383,443	$ 9,108,910

Changes in Net Assets

Last Ten Fiscal Years **Table 2**

Accrual Basis of Accounting (Expressed in Thousands)

	2011	2010	2009	2008
Expenses				
Governmental activities:				
General government	$ 1,880,341	$ 2,011,806	$ 2,052,954	$ 2,000,778
Education	4,138,406	4,082,117	4,093,018	4,163,587
Health and social services[1]	6,871,858	6,747,426	6,139,808	5,609,247
Law, justice and public safety[2]	1,006,887	1,095,181	1,052,434	1,173,359
Recreation and resources development[3]	1,001,306	1,058,604	1,127,670	1,261,268
Regulation of business and professions	37,438	38,188	37,215	36,318
Transportation	592,642	689,802	683,663	643,867
Interest on long-term debt	223,856	146,732	209,516	196,277
Total governmental activities expenses	15,752,734	15,869,856	15,396,278	15,084,701
Business-type activities:				
Unemployment compensation[4]	520,790	669,679	422,764	143,013
Port Authority at Gulfport	30,276	23,243	15,239	12,614
Prepaid affordable college tuition	45,754	42,183	20,316	40,972
Other business-type	38,671	38,074	40,392	34,204
Total business-type activities expenses	635,491	773,179	498,711	230,803
Total primary government expenses	$ 16,388,225	$ 16,643,035	$ 15,894,989	$ 15,315,504
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ 1,183,632	$ 1,214,243	$ 1,149,464	$ 1,135,546
Education	36,151	51,848	29,721	27,838
Health and social services	622,266	569,685	563,917	507,876
Law, justice and public safety	101,992	99,098	103,178	100,206
Recreation and resources development	132,401	145,988	84,984	85,610
Regulation of business and professions	43,005	41,644	40,727	39,491
Transportation	36,335	7,787	51,695	40,243
Operating grants and contributions[5]	7,896,876	7,795,111	6,847,036	6,462,823
Capital grants and contributions	603,098	643,843	556,571	795,572
Total governmental activities program revenues	10,655,756	10,569,247	9,427,293	9,195,205
Business-type activities:				
Charges for services:				
Unemployment compensation[6]	209,318	84,916	90,301	100,840
Port Authority at Gulfport	27,807	14,652	16,865	22,569
Prepaid affordable college tuition	21,764	21,799	19,374	21,121
Other business-type	39,319	36,811	38,532	33,522
Operating grants and contributions[7]	310,704	382,141	141,038	10,069
Capital grants and contributions	16	24	954	1,838
Total business-type activities program revenues	608,928	540,343	307,064	189,959
Total primary government program revenues	$ 11,264,684	$ 11,109,590	$ 9,734,357	$ 9,385,164
Net (Expense) Revenue				
Governmental activities	$ (5,096,978)	$ (5,300,609)	$ (5,968,985)	$ (5,889,496)
Business-type activities	(26,563)	(232,836)	(191,647)	(40,844)
Total primary government net expense	$ (5,123,541)	$ (5,533,445)	$ (6,160,632)	$ (5,930,340)

2007	2006	2005	2004	2003	2002
$ 1,803,339	$ 1,826,995	$ 1,683,021	$ 1,648,142	$ 1,453,788	$ 1,082,176
3,961,573	3,668,314	3,344,598	3,292,951	3,139,812	2,959,707
5,311,270	5,180,153	5,074,151	4,776,214	4,290,392	4,219,675
1,152,359	1,384,238	566,146	549,662	517,753	509,295
1,932,646	364,796	423,983	461,243	465,393	379,325
33,192	30,944	30,355	34,269	32,059	29,960
581,446	728,716	531,775	516,130	443,155	433,730
167,233	150,556	150,555	149,764	145,345	179,102
14,943,058	13,334,712	11,804,584	11,428,375	10,487,697	9,792,970
143,348	242,134	138,825	198,147	251,010	218,517
10,349	17,221	14,957	13,879	13,339	11,223
38,391	29,983	33,226	12,253	4,778	12,528
37,559	49,737	45,560	44,194	41,421	39,912
229,647	339,075	232,568	268,473	310,548	282,180
$ 15,172,705	$ 13,673,787	$ 12,037,152	$ 11,696,848	$ 10,798,245	$ 10,075,150
$ 1,059,532	$ 944,744	$ 1,041,597	$ 842,566	$ 806,664	$ 491,132
33,991	29,784	24,857	20,925	25,639	29,399
480,944	446,315	465,923	420,116	477,577	542,157
147,360	81,807	76,864	68,089	60,811	58,130
69,949	64,182	60,230	57,470	58,247	55,919
36,173	28,223	32,315	37,170	35,397	29,364
35,192	26,762	29,477	38,299	44,136	50,540
7,125,688	6,058,258	4,636,824	4,553,738	4,066,898	3,812,409
960,369	792,929	415,530	389,686	410,636	391,670
9,949,198	8,473,004	6,783,617	6,428,059	5,986,005	5,460,720
106,256	104,548	158,695	149,726	118,671	177,048
30,166	7,609	21,892	21,578	20,931	19,706
21,343	21,513	19,679	551	1,938	488
37,083	40,644	37,604	35,125	31,065	29,882
9,745	93,156	5,905	31,930	53,006	30,002
3,900	539	159	278	903	13,257
208,493	268,009	243,934	239,188	226,514	270,383
$ 10,157,691	$ 8,741,013	$ 7,027,551	$ 6,667,247	$ 6,212,519	$ 5,731,103
$ (4,993,860)	$ (4,861,708)	$ (5,020,967)	$ (5,000,316)	$ (4,501,692)	$ (4,332,250)
(21,154)	(71,066)	11,366	(29,285)	(84,034)	(11,797)
$ (5,015,014)	$ (4,932,774)	$ (5,009,601)	$ (5,029,601)	$ (4,585,726)	$ (4,344,047)

(Continued on Next Page)

Changes in Net Assets

Last Ten Fiscal Years **Table 2**

Accrual Basis of Accounting (Expressed in Thousands)

(Continued from Previous Page)

	2011	2010	2009	2008
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Sales and use[8]	$ 2,935,523	$ 2,885,064	$ 2,961,865	$ 3,166,130
Gasoline and other motor fuel	420,410	406,279	411,729	438,676
Individual income	1,374,843	1,385,623	1,415,091	1,503,869
Corporate income and franchise	477,443	416,978	420,739	500,996
Insurance	192,146	197,970	187,050	194,129
Other	520,689	511,351	461,064	459,483
Gain on sale of assets				
Investment income	91,185	54,935	83,119	145,465
Extraordinary item - Impairment loss from hurricane damage, net of insurance recovery				
Transfers	(22,871)	(29,896)	(42,639)	(2,786)
Total governmental activities	5,989,368	5,828,304	5,898,018	6,405,962
Business-type activities:				
Gain on sale of assets				
Investment income	62,388	44,548	2,843	21,433
Extraordinary item - Impairment gain from hurricane damage, net of insurance recovery				
Transfers	22,871	29,896	42,639	2,786
Total business-type activities	85,259	74,444	45,482	24,219
Total primary government	$ 6,074,627	$ 5,902,748	$ 5,943,500	$ 6,430,181
Change in Net Assets				
Governmental activities	$ 892,390	$ 527,695	$ (70,967)	$ 516,466
Business-type activities	58,696	(158,392)	(146,165)	(16,625)
Total primary government	$ 951,086	$ 369,303	$ (217,132)	$ 499,841

Note: This table has been restated for prior period adjustments.

[1] Health and social services expenditures rose from 2009 to 2010 primarily as benefits and the number of participants in the Medicaid and the Supplemental Nutrition Assistance Programs increased.

Health and social services expenses rose from 2008 to 2009 primarily as Medicaid expenditures escalated for medical assistance and disproportionate share payments.

[2] Law, justice and public safety expenses rose from 2005 to 2006 primarily due to the Hurricane Katrina response.

[3] Recreation and resources development expenses rose from 2006 to 2007 as a result of federal assistance being distributed to homeowners to aid in their rebuilding efforts.

[4] Unemployment Compensation expenses increased from 2008 to 2009 and again from 2009 to 2010. The number of eligible workers rose due to the climb in the unemployment rate and benefits were extended under the American Recovery and Reinvestment Act.

[5] Operating grants and contributions increased from 2009 to 2010. This is due in part to funding provided by the American Recovery and Reinvestment Act.

Operating grants and contributions increased from 2006 to 2007. This can be attributed to federal assistance for homeowners affected by Hurricane Katrina.

Operating grants and contributions increased from 2005 to 2006. This can be attributed to federal assistance in the Hurricane Katrina recovery efforts.

2007	2006	2005	2004	2003	2002
$ 3,161,005	$ 3,075,657	$ 2,626,792	$ 2,459,718	$ 2,418,763	$ 2,378,956
444,489	442,190	433,307	432,892	418,941	409,536
1,501,334	1,204,055	1,243,192	1,039,488	1,084,999	989,877
469,182	425,091	365,140	320,057	289,441	255,532
192,861	169,727	165,955	160,757	149,458	131,763
397,515	385,810	362,526	352,800	348,744	302,479
	585	2,964	534	296	420
184,500	122,553	79,306	130,767	92,243	42,572
	(9,871)				
(3,971)	(5,945)	(6,557)	(4,293)	(761)	(11,025)
6,346,915	5,809,852	5,272,625	4,892,720	4,802,124	4,500,110
	7				
70,240	55,974	55,459	65,733	57,374	45,890
	1,333				
3,971	5,945	6,557	4,293	761	11,025
74,211	63,259	62,016	70,026	58,135	56,915
$ 6,421,126	$ 5,873,111	$ 5,334,641	$ 4,962,746	$ 4,860,259	$ 4,557,025
$ 1,353,055	$ 948,144	$ 251,658	$ (107,596)	$ 300,432	$ 167,860
53,057	(7,807)	73,382	40,741	(25,899)	45,118
$ 1,406,112	$ 940,337	$ 325,040	$ (66,855)	$ 274,533	$ 212,978

[6] Unemployment Compensation Charges for Services increased from 2010 to 2011. Employer assessments grew because the taxable wage base doubled.

[7] Operating grants and contributions increased from 2005 to 2006. This can be attributed to federal assistance for disaster unemployment payments.

Operating grants and contributions increased from 2008 to 2009. This can be attibuted to additional federal funding for unemployment compensation programs under the American Recovery and Reinvestment Act .

[8] Sales and use taxes increased from 2005 to 2006 primarily due to the volume of items purchased as citizens rebuilt and replaced damaged assets after Hurricane Katrina.

Sales and use taxes decreased from 2008 to 2009 and again from 2009 to 2010 as consumer spending on cars, lumber and building materials and other taxable goods and services was down in response to a weakening economy.

Fund Balances of Governmental Funds

Last Ten Fiscal Years **Table 3**

Modified Accrual Basis of Accounting (Expressed in Thousands)

	2011
General Fund	
Nonspendable	$ 52,571
Restricted	2,895,706
Committed	198,340
Assigned	110,648
Unassigned	287,764
Total General Fund	$ 3,545,029
All Other Governmental Funds	
Nonspendable	$ 54,476
Restricted	477,449
Committed	187,041
Total All Other Governmental Funds	$ 718,966

	2010	2009	2008	2007
General Fund				
Reserved	$ 813,291	$ 829,688	$ 833,922	$ 864,522
Unreserved	1,895,503	1,359,911	1,822,412	1,625,064
Total General Fund	$ 2,708,794	$ 2,189,599	$ 2,656,334	$ 2,489,586
All Other Governmental Funds				
Reserved	$ 82,783	$ 316,774	$ 325,180	$ 317,053
Unreserved, reported in:				
Special revenue funds	596,557	552,911	568,091	769,769
Capital project funds	323,080	375,268	383,225	224,942
Debt service funds				
Permanent funds	6,601	5,119	3,862	2,398
Total All Other Governmental Funds	$ 1,009,021	$ 1,250,072	$ 1,280,358	$ 1,314,162

Note: Beginning in fiscal year 2011, fund balance categories were reclassified as a result of implementing GASB Statement 54 but were not restated for prior years. However, this table has been restated for prior period adjustments.

	2006	2005	2004	2003	2002
$	702,417	$ 709,505	$ 593,863	$ 576,966	$ 612,098
	1,253,819	715,549	875,888	868,595	1,169,275
$	1,956,236	$ 1,425,054	$ 1,469,751	$ 1,445,561	$ 1,781,373
$	306,171	$ 308,032	$ 68,051	$ 59,196	$ 64,206
	427,942	469,379	787,576	708,736	709,541
	250,799	191,010	321,678	400,602	407,681
	49,385	41,818	47,008	107,782	65,213
	1,003	2,104	3,210	4,037	3,427
$	1,035,300	$ 1,012,343	$ 1,227,523	$ 1,280,353	$ 1,250,068

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years **Table 4**

Modified Accrual Basis of Accounting (Expressed in Thousands)

	2011	2010	2009	2008
Revenues				
Taxes				
Sales and use[1]	$ 2,916,298	$ 2,848,169	$ 3,008,042	$ 3,146,711
Gasoline and other motor fuel	415,200	406,837	412,206	437,810
Individual income	1,409,473	1,337,000	1,441,141	1,523,231
Corporate income and franchise	447,322	413,930	420,482	503,165
Insurance	192,146	197,970	187,050	194,129
Other	520,689	511,351	461,064	459,483
Licenses, fees and permits	519,033	505,314	527,099	547,844
Federal government[2]	8,496,243	8,434,957	7,402,207	7,197,515
Investment income	88,553	96,596	69,725	132,566
Charges for sales and services	379,741	311,236	351,618	327,874
Rentals	29,044	27,844	24,008	24,353
Court assessments and settlements	145,462	188,337	130,762	139,803
Refund of prior year disaster payments				
Other	511,610	521,636	410,345	345,593
Total Revenues	16,070,814	15,801,177	14,845,749	14,980,077
Expenditures				
General government	1,301,010	1,377,855	1,392,656	1,430,623
Education	4,134,654	4,076,285	4,090,971	4,155,180
Health and social services[3]	6,863,679	6,711,466	6,129,997	5,601,993
Law, justice and public safety[4]	953,468	1,053,017	1,069,705	1,385,082
Recreation and resources development[5]	1,002,286	1,055,786	1,138,031	1,203,801
Regulation of business and professions	37,713	37,847	36,450	35,841
Transportation	1,168,090	1,180,908	1,134,357	1,178,966
Debt service				
Principal	316,103	321,825	419,973	295,060
Interest and other fiscal charges	226,906	163,207	210,654	210,311
Defeasance of debt		2,505		
Capital outlay	84,671	98,825	80,378	110,620
Total Expenditures	16,088,580	16,079,526	15,703,172	15,607,477
Excess of revenues over (under) expenditures	$ (17,766)	$ (278,349)	$ (857,423)	$ (627,400)

2007	2006	2005	2004	2003	2002
$ 3,136,554	$ 3,074,831	$ 2,609,936	$ 2,488,055	$ 2,377,996	$ 2,364,112
445,876	443,150	432,023	433,091	418,049	407,935
1,486,074	1,213,733	1,224,403	1,054,479	1,021,967	980,284
477,166	412,839	363,361	320,848	287,335	254,785
192,861	169,727	165,955	160,757	149,458	131,763
397,515	385,810	362,526	352,800	348,744	302,479
499,787	448,482	444,257	428,412	412,367	402,878
8,079,581	6,844,298	5,050,410	4,943,360	4,477,533	4,204,079
174,142	118,888	76,874	130,333	86,974	37,353
310,769	279,899	265,089	258,217	241,153	268,098
18,559	13,004	19,564	16,651	16,320	15,154
159,131	113,135	209,541	109,796	172,099	239,509
55,557					
309,521	281,908	349,625	299,009	312,856	317,263
15,743,093	13,799,704	11,573,564	10,995,808	10,322,851	9,925,692
1,345,200	1,379,847	1,227,277	1,219,944	1,191,877	1,133,606
3,949,505	3,663,082	3,341,991	3,211,882	3,022,046	2,852,710
5,302,796	5,176,071	5,057,704	4,775,753	4,291,837	4,212,066
1,172,469	1,364,750	567,718	551,354	522,509	507,662
1,926,281	351,801	410,624	482,235	484,955	381,064
33,364	30,981	30,574	34,163	32,096	30,175
1,390,677	1,284,905	911,974	925,757	876,269	875,165
277,538	261,878	239,525	216,287	194,318	280,590
184,346	177,228	152,766	153,272	146,429	154,430
	2,138	1,386	1,689	3,959	
88,575	69,604	85,443	77,839	114,941	103,940
15,670,751	13,762,285	12,026,982	11,650,175	10,881,236	10,531,408
$ 72,342	$ 37,419	$ (453,418)	$ (654,367)	$ (558,385)	$ (605,716)

(Continued on Next Page)

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years **Table 4**

Modified Accrual Basis of Accounting (Expressed in Thousands)

(Continued from Previous Page)

	2011	2010	2009	2008
Other Financing Sources (Uses)				
Bonds and notes issued	$ 569,794	$ 581,972	$ 362,720	$ 721,172
Capital leases issued	8,009	2,987	10,759	724
Discounts on bonds and notes issued				(390)
Insurance recovery	185	1,822	8,838	3,874
Payments on refunded bond anticipation notes	(105,105)	(241,100)		
Payments on refunded bonds and notes	(183,105)	(141,892)		
Payments to bond escrow agent			(1,992)	
Payments to refunded bond, note and lease escrow agents		(41,998)	(82,265)	(191,894)
Premiums on bonds, notes, and refunding bonds and notes issued	13,114	10,562	13,916	19,613
Refunding bonds and notes issued	284,453	413,965	76,460	208,955
Transfers in	138,686	756,592	335,056	387,993
Transfers out	(161,936)	(786,417)	(363,090)	(389,703)
Net Other Financing Sources (Uses)	564,095	556,493	360,402	760,344
Extraordinary Item				
Insurance recovery from hurricane damage				
Net Change in Fund Balances	$ 546,329	$ 278,144	$ (497,021)	$ 132,944
Debt Service as a Percentage of Noncapital Expenditures	3.6%	3.2%	4.3%	3.5%

Note: This table has been restated for prior period adjustments.

[1] Sales and use taxes decreased from 2008 to 2009 and again from 2009 to 2010 as consumer spending on cars, lumber and building materials and other taxable goods and services was down in response to a weakening economy.

Sales and use taxes increased from 2005 to 2006 primarily due to the volume of items purchased as citizens rebuilt and replaced damaged assets after Hurricane Katrina.

[2] Federal government revenues increased from 2009 to 2010. This is due in part to funding provided by the American Recovery and Reinvestment Act.

Federal government revenues increased from 2006 to 2007. This can be attributed to federal assistance for homeowners affected by Hurricane Katrina.

Federal government revenues increased from 2005 to 2006. This can be attributed to federal assistance in the Hurricane Katrina recovery efforts.

[3] Health and social services expenditures rose from 2009 to 2010 primarily as benefits and the number of participants in the Medicaid and the Supplemental Nutrition Assistance Programs increased.

Health and social services expenditures rose from 2008 to 2009 primarily as Medicaid expenditures escalated for medical assistance and disproportionate share payments.

[4] Law, justice and public safety expenditures rose from 2005 to 2006 primarily due to the Hurricane Katrina response.

	2007	2006	2005	2004	2003	2002
$	714,400	$ 486,780	$ 188,494	$ 625,015	$ 239,000	$ 415,466
	5,497	11,324	3,975	4,834	6,046	5,070
	(250)	(242)				
	781	4,408				
	(33,000)					
	(147,765)	(50,462)	(6,882)	(180,678)	(536,921)	(381,313)
	29,209	15,442	874	7,865	59,728	41,558
	175,365	51,870	7,215	172,505	486,970	364,033
	616,239	498,623	294,453	304,180	248,954	352,432
	(620,606)	(501,943)	(294,588)	(307,994)	(250,919)	(355,539)
	739,870	515,800	193,541	625,727	252,858	441,707
		920				
$	812,212	$ 554,139	$ (259,877)	$ (28,640)	$ (305,527)	$ (164,009)
	3.2%	3.4%	3.5%	3.4%	3.4%	4.4%

[5] Recreation and resources development expenditures rose from 2006 to 2007 as a result of federal assistance being distributed to homeowners to aid in their rebuilding efforts.

Taxable Sales by Industry

Last Ten Fiscal Years

Table 5

(Expressed in Thousands)

	2010	2009	2008	2007
Automotive	$ 4,864,021	$ 5,023,772	$ 6,083,873	$ 6,425,719
Contracting	6,088,260	7,771,199	7,887,529	7,289,281
Food and Beverage	7,712,477	7,658,372	7,502,956	7,183,345
Furniture	874,401	858,990	959,992	1,017,087
General Merchandise	7,496,027	7,697,208	7,339,220	7,517,150
Lumber and Building Materials	2,510,439	2,870,910	3,423,567	3,892,931
Machinery, Equipment and Supplies	2,380,929	2,655,964	2,962,978	3,065,223
Miscellaneous Retail	3,339,710	3,567,676	3,743,749	3,741,915
Miscellaneous Services	2,580,111	2,829,490	2,823,849	2,605,241
Public Utilities	4,299,562	4,383,720	4,225,268	4,160,798
Recreation	144,896	136,388	134,763	135,866
Wholesale	756,599	763,532	749,042	728,840
Total taxable sales	$ 43,047,432	$ 46,217,221	$ 47,836,786	$ 47,763,396
Gross tax collections	$ 2,652,437	$ 2,809,904	$ 2,893,966	$ 2,899,368
Average effective rate	6.16%	6.08%	6.05%	6.07%

Notes: Average effective rate equals gross tax collections divided by taxable sales. The most current fiscal year available is fiscal year 2010.

Source: Mississippi Department of Revenue

Sales Tax Revenue Payers by Industry

Fiscal Years 2010 and 2001

Table 6

	2010			
	Number of Filers	Percentage of Total	Tax Liability (expressed in thousands)	Percentage of Total
Automotive	9,136	11.7 %	$ 281,779	10.6 %
Contracting	9,936	12.7	234,453	8.9
Food and Beverage	13,368	17.1	539,866	20.4
Furniture	1,995	2.6	61,206	2.3
General Merchandise	5,020	6.4	524,972	19.8
Lumber and Building Materials	4,673	6.0	175,726	6.6
Machinery, Equipment and Supplies	5,935	7.6	128,548	4.8
Miscellaneous Retail	20,176	25.8	230,622	8.7
Miscellaneous Services	6,104	7.8	177,538	6.7
Public Utilities	1,187	1.5	234,623	8.8
Recreation	569	0.7	10,142	0.4
Wholesale	37	0.1	52,962	2.0
Total	78,136	100.0 %	$ 2,652,437	100.0 %

Notes: Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current fiscal year available is fiscal year 2010.

Source: Mississippi Department of Revenue

2006	2005	2004	2003	2002	2001
$ 6,659,353	$ 6,146,219	$ 6,153,868	$ 5,993,019	$ 6,102,300	$ 5,847,392
6,077,508	4,450,580	4,227,714	4,062,074	4,074,641	3,908,410
6,860,282	6,667,695	6,585,188	6,181,754	6,329,716	6,359,213
1,011,007	759,240	740,400	724,376	730,471	747,479
7,389,359	6,627,840	6,350,285	5,994,698	5,809,645	5,494,382
3,944,938	2,675,275	2,384,863	2,016,383	1,915,703	1,888,429
2,883,980	2,253,956	2,056,435	2,079,293	2,124,054	2,206,481
3,562,267	3,317,464	3,480,913	3,700,174	3,305,031	3,267,289
2,582,114	1,944,014	1,881,371	1,695,247	1,687,695	1,694,971
4,323,055	3,687,135	3,332,978	3,207,453	3,113,292	3,109,723
119,248	110,930	116,464	108,309	107,782	105,941
721,747	758,074	744,355	718,041	704,607	680,678
$ 46,134,858	$ 39,398,422	$ 38,054,834	$ 36,480,821	$ 36,004,937	$ 35,310,388
$ 2,807,350	$ 2,421,537	$ 2,338,086	$ 2,208,570	$ 2,199,918	$ 2,158,940
6.09%	6.15%	6.14%	6.05%	6.11%	6.11%

2001			
Number of Filers	Percentage of Total	Tax Liability (expressed in thousands)	Percentage of Total
11,120	13.7 %	$ 317,694	14.7 %
7,447	9.2	143,466	6.6
15,140	18.7	443,344	20.5
2,885	3.6	52,260	2.4
4,976	6.1	385,146	17.8
5,374	6.6	129,771	6.0
5,843	7.2	122,241	5.7
21,095	26.1	223,612	10.4
5,547	6.9	118,489	5.5
1,022	1.3	174,663	8.1
383	0.5	7,413	0.3
97	0.1	40,841	2.0
80,929	100.0 %	$ 2,158,940	100.0 %

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years **Table 7**

(Expressed in Thousands, except Per capita)

	2011	2010	2009	2008
Governmental Activities				
General Obligation Bonds and Notes[1]	$ 3,813,700	$ 3,524,006	$ 3,456,607	$ 3,452,073
Limited Obligation Bonds				24,460
Capital Lease Obligations	13,935	13,212	17,231	12,555
Notes Payable	1,016,946	1,044,352	852,011	882,049
Certificates of Participation			2,045	2,190
Total Governmental Activities	4,844,581	4,581,570	4,327,894	4,373,327
Business-type Activities				
General Obligation Bonds	23,426	26,476	29,231	32,064
Revenue Bonds				
Capital Lease Obligations	618	841	1,636	926
Total Business-type Activities	24,044	27,317	30,867	32,990
Total Primary Government	$ 4,868,625	$ 4,608,887	$ 4,358,761	$ 4,406,317
Amount of Debt Per capita[2]	$ 1,639	$ 1,552	$ 1,478	$ 1,499
Debt as a percentage of Personal Income[3]	5.3%	5.1%	4.8%	5.0%
Net General Obligation Bonded Debt[4]				
General Obligation Bonds and Notes[1]	$ 3,813,700	$ 3,524,006	$ 3,456,607	$ 3,452,073
Less: Debt Service	323,235	248,686	197,131	214,647
Net General Obligation Bonded Debt	$ 3,490,465	$ 3,275,320	$ 3,259,476	$ 3,237,426
Amount of Net General Obligation Bonded Debt Per capita[2]	$ 1,175	$ 1,103	$ 1,105	$ 1,101
Net General Obligation Bonded Debt as a percentage of Taxable Sales[5]	8.1%	7.6%	7.1%	6.8%

Notes:

[1] Fiscal years 2002-2004 have been restated to reflect amounts net of deferred refunding charges and premiums/discounts.

[2] See Table 9 for population data. For the current fiscal year, the prior year population data is used in the calculation.

[3] See Table 9 for personal income data. For the current fiscal year, the prior year personal income data is used in the calculation.

[4] Net General Obligation Bonded Debt is long-term debt reported in governmental activities.

[5] See Table 5 for taxable sales data. For the current fiscal year, the prior year taxable sales data is used in the calculation.

2007	2006	2005	2004	2003	2002
$ 3,135,232	$ 3,011,720	$ 2,879,945	$ 2,965,083	$ 2,536,637	$ 2,459,826
47,880	70,320	91,845	112,515	132,390	151,535
18,568	19,034	62,456	74,277	156,075	162,389
708,028	345,091	162,340	92,877	9,406	6,891
2,330	2,460	2,585	2,700	2,805	2,905
3,912,038	3,448,625	3,199,171	3,247,452	2,837,313	2,783,546
35,084	38,016	40,705	43,207	47,407	52,417
		150	295	430	555
214	320	449	613	193	283
35,298	38,336	41,304	44,115	48,030	53,255
$ 3,947,336	$ 3,486,961	$ 3,240,475	$ 3,291,567	$ 2,885,343	$ 2,836,801
$ 1,352	$ 1,202	$ 1,117	$ 1,143	$ 1,005	$ 992
4.7%	4.4%	4.3%	4.7%	4.3%	4.3%
$ 3,135,232	$ 3,011,720	$ 2,879,945	$ 2,965,083	$ 2,536,637	$ 2,459,826
175,515	105,347	97,312	107,149	176,556	129,771
$ 2,959,717	$ 2,906,373	$ 2,782,633	$ 2,857,934	$ 2,360,081	$ 2,330,055
$ 1,014	$ 1,002	$ 960	$ 992	$ 822	$ 815
6.2%	6.3%	7.1%	7.5%	6.5%	6.5%

Legal Debt Margin

Last Ten Fiscal Years **Table 8**

(Expressed in Thousands)

	2011	2010	2009	2008	2007
Legal debt limit	$ 12,451,109	$ 12,451,109	$ 12,451,109	$ 12,009,366	$ 10,930,262
Less: Net debt applicable to limit	3,490,465	3,275,320	3,259,476	3,237,426	2,959,717
Legal debt margin	$ 8,960,644	$ 9,175,789	$ 9,191,633	$ 8,771,940	$ 7,970,545
Net debt applicable to the limit as a percentage of legal debt limit	28.0%	26.3%	26.2%	27.0%	27.1%

	2006	2005	2004	2003	2002
Legal debt limit	$ 10,056,571	$ 8,740,586	$ 8,429,055	$ 8,142,318	$ 8,142,318
Less: Net debt applicable to limit	2,906,373	2,771,968	2,846,985	2,339,941	2,312,810
Legal debt margin	$ 7,150,198	$ 5,968,618	$ 5,582,070	$ 5,802,377	$ 5,829,508
Net debt applicable to the limit as a percentage of legal debt limit	28.9%	31.7%	33.8%	28.7%	28.4%

Legal Debt Margin Calculation for Fiscal Year 2011:

Legal debt limit[1]		$ 12,451,109
Amount of debt applicable to limit[2]	$ 3,813,700	
Less: amounts available for debt service	323,235	
Less: Net debt applicable to limit		3,490,465
Legal debt margin		$ 8,960,644

Notes:

[1] The State's constitutional debt limit is established under Section 115 of the Mississippi Constitution at one and one-half times the sum of all revenues collected by the State during any one of the four preceding fiscal years, whichever may be higher. Revenues included in the foregoing debt limitation computation are restricted by current practice to the following revenues: taxes, licenses, fees and permits, investment income, rental income, service charges (including net income from the sale of alcoholic beverages), fines, forfeits, and penalties. Defined revenues for the four preceding years were:

Fiscal Year	Applicable Revenues
2010	$ 7,698,390
2009	7,960,862
2008	8,300,739
2007	8,006,244

[2] The legal debt limit applies to total governmental activities long-term bonded debt.

Mississippi

Demographic and Economic Statistics

Last Ten Calendar Years **Table 9**

Year	Population	Unemployment Rate		Personal Income	Per capita Personal Income
		Mississippi	U. S.		
2010	2,970,000	10.4 %	9.6 %	$ 91,142,000,000	$ 30,688
2009	2,950,000	9.6	9.3	90,045,000,000	30,524
2008	2,940,000	6.8	5.8	88,466,000,000	30,090
2007	2,920,000	6.2	4.6	83,842,000,000	28,713
2006	2,900,000	6.8	4.6	79,422,000,000	27,387
2005	2,900,000	7.8	5.1	75,163,000,000	25,918
2004	2,880,000	6.3	5.5	70,667,000,000	24,537
2003	2,870,000	6.4	6.0	67,440,000,000	23,498
2002	2,860,000	6.7	5.8	65,608,000,000	22,940
2001	2,850,000	5.6	4.7	63,244,000,000	22,191

Sources:
Mississippi Econometric Model
Mississippi Department of Employment Security
U.S. Department of Labor, Bureau of Labor Statistics

Employment by Industry

Most Current Calendar Year and Nine Years Prior **Table 10**
(Ranked by Number of Employees)

Industry	2010 Rank	2010 Average Number of Employees	2010 Percentage of All Employees	2001 Rank	2001 Average Number of Employees	2001 Percentage of All Employees
Government	1	248,900	21.2 %	1	237,500	19.3 %
Manufacturing	2	135,800	11.5	2	200,800	16.3
Retail Trade	3	131,900	11.2	3	142,100	11.6
Health Care and Social Assistance	4	118,500	10.1	5	95,800	7.8
Accommodation and Food Services	5	106,700	9.1	4	106,700	8.7
Professional and Business Services	6	91,800	7.8	6	76,700	6.2
Construction	7	48,900	4.1	7	51,900	4.2
Transportation and Warehousing	8	46,700	4.0	8	45,800	3.7
Other Services	9	34,800	3.0	9	36,800	3.0
Wholesale Trade	10	34,100	2.9	10	35,300	2.9
Total		998,100	84.9 %		1,029,400	83.7 %
Total Employed Labor Force		1,176,300	100.0 %		1,229,900	100.0 %

Note: This schedule is presented as an alternative to the principal employer schedule for which employer data could not be obtained. Information contained in the schedule represents nonagricultural employment.

Source: Mississippi Department of Employment Security

Mississippi

Public School Enrollment

Last Ten Academic Years

Table 11

	2010/2011	2009/2010	2008/2009	2007/2008
Kindergarten	42,371	42,790	41,602	41,453
Grades 1-3	115,503	116,320	118,249	118,969
Grades 4-6	115,057	114,328	111,783	111,009
Grades 7-9	111,826	113,802	115,901	118,593
Grades 10-12	98,536	97,942	97,024	96,003
Special Education	7,233	6,923	6,635	7,275
Total Enrollment	490,526	492,105	491,194	493,302

Source: Mississippi Department of Education

Community and Junior College Enrollment

Last Ten Academic Years

Table 12

	2010/2011	2009/2010	2008/2009	2007/2008
Coahoma Community College	2,781	3,210	2,239	2,398
Copiah-Lincoln Community College	5,221	4,649	3,886	3,811
East Central Community College	2,738	3,554	3,219	2,841
East Mississippi Community College	5,906	6,063	6,356	6,353
Hinds Community College	13,693	15,370	12,661	16,747
Holmes Community College	5,711	5,943	5,754	5,124
Itawamba Community College	8,003	9,965	9,173	8,339
Jones County Junior College	6,783	6,982	5,951	5,658
Meridian Community College	3,956	4,856	4,317	4,065
Mississippi Delta Community College	4,320	4,410	4,011	3,659
Mississippi Gulf Coast Community College	12,171	13,426	11,736	9,674
Northeast Mississippi Community College	3,966	5,482	5,006	5,223
Northwest Mississippi Community College	7,312	8,777	7,326	6,900
Pearl River Community College	4,406	4,853	5,081	4,263
Southwest Mississippi Community College	2,283	2,289	2,106	2,080
Total Enrollment	89,250	99,829	88,822	87,135

Source: Mississippi State Board for Community and Junior Colleges

University Enrollment

Last Ten Academic Years

Table 13

	2010/2011	2009/2010	2008/2009	2007/2008
Alcorn State University	3,682	3,334	3,252	3,668
Delta State University	4,327	4,031	4,064	4,091
Jackson State University	8,687	8,783	8,374	8,698
Mississippi State University	19,643	18,600	17,824	17,039
Mississippi University for Women	2,587	2,476	2,365	2,379
Mississippi Valley State University	2,636	2,846	2,929	3,009
University of Mississippi	19,546	18,344	17,601	17,323
University of Southern Mississippi	15,778	15,293	14,793	14,592
Total Enrollment	76,886	73,707	71,202	70,799

Source: Institutions of Higher Learning, Office of Research and Planning

2006/2007	2005/2006	2004/2005	2003/2004	2002/2003	2001/2002
42,277	42,824	42,158	40,536	38,811	38,736
117,424	114,830	114,453	114,719	116,431	119,157
112,101	113,468	116,383	117,899	118,463	119,022
120,271	120,852	120,186	118,632	116,799	114,533
93,287	91,663	89,641	88,384	88,437	88,644
8,775	10,401	11,769	12,387	12,682	12,106
494,135	494,038	494,590	492,557	491,623	492,198

2006/2007	2005/2006	2004/2005	2003/2004	2002/2003	2001/2002
2,201	2,428	2,506	2,392	2,481	2,150
3,933	3,792	3,681	3,796	3,370	3,160
3,096	3,268	3,540	3,540	3,414	3,347
4,938	4,569	4,523	4,103	4,043	3,303
13,487	13,004	13,803	15,202	11,152	11,389
5,164	5,220	4,991	4,945	3,851	3,482
7,363	7,089	6,567	6,778	5,667	4,563
5,785	6,219	6,344	6,231	5,841	5,625
3,946	3,813	4,089	3,944	3,815	3,743
3,815	3,995	3,862	4,128	3,960	3,750
9,045	8,934	10,894	10,551	9,934	8,877
5,264	5,266	5,854	4,996	4,667	4,463
7,457	6,953	6,663	6,523	6,371	5,760
4,411	4,256	4,585	3,898	3,661	3,156
1,986	2,121	2,303	2,280	2,277	2,159
81,891	80,927	84,205	83,307	74,504	68,927

2006/2007	2005/2006	2004/2005	2003/2004	2002/2003	2001/2002
3,583	3,544	3,443	3,309	3,150	3,096
4,217	4,119	3,990	3,902	3,963	3,875
8,256	8,416	8,351	7,815	7,783	7,098
16,206	16,101	15,934	16,173	16,610	16,878
2,428	2,285	2,231	2,048	2,105	2,328
3,162	3,165	3,621	3,506	3,501	3,081
17,312	16,928	16,500	15,577	14,961	14,429
14,777	15,030	15,253	15,050	15,266	15,232
69,941	69,588	69,323	67,380	67,339	66,017

Capital Asset Statistics by Function

Last Ten Fiscal Years **Table 14**

	2011	2010	2009	2008
General Government				
Department of Finance and Administration				
Buildings	36	37	37	46
Vehicles	49	48	42	42
Department of Revenue				
Vehicles	44	49	49	47
Education				
Department of Education				
Vehicles	44	43	42	47
Law, Justice and Public Safety				
Department of Corrections				
Buildings	611	627	627	626
Vehicles	593	608	673	676
Department of Public Safety				
Buildings	39	39	38	37
Vehicles	877	845	908	924
Recreation and Resource Development				
Department of Wildlife, Fisheries and Parks				
State Parks	25	26	26	26
Acres of State Parks	24,446	24,260	24,260	24,260
Buildings	843	831	817	815
Vehicles	606	614	632	609
Forestry Commission				
Buildings	392	394	398	408
Vehicles	430	440	446	493
Regulation of Business and Professions				
Workers' Compensation Commission				
Buildings	1	1	1	1
Transportation				
Department of Transportation				
Miles of state highway	10,907	10,907	10,984	10,949
Vehicles	2,534	2,569	2,530	2,547
Health and Social Sciences				
Department of Mental Health				
Buildings	551	553	553	547
Vehicles	786	801	794	802

Sources:
Mississippi Office of the State Auditor, Property Audit Division
Mississippi Department of Wildlife, Fisheries and Parks
Mississippi Department of Transportation

2007	2006	2005	2004	2003	2002
46	42	26	25	22	22
41	37	35	35	32	32
47	45	45	45	46	44
44	46	42	42	41	43
633	633	642	642	641	634
707	683	674	702	649	598
37	37	36	36	36	33
943	907	805	834	808	805
26	24	28	28	28	28
23,904	23,908	23,800	23,800	23,714	23,714
812	831	844	841	852	814
614	627	681	723	730	712
418	422	429	424	428	431
508	483	531	578	539	546
1	1	1	1	1	1
10,974	10,950	10,927	10,926	10,689	10,678
2,595	2,604	2,604	2,642	2,646	2,395
541	535	525	520	512	481
798	755	742	712	700	650

Mississippi

State Government Employees by Function

Last Ten Fiscal Years

Table 15

	2011	2010	2009	2008	2007	2006
General Government						
Department of Finance and Administration	407	387	408	380	363	338
Department of Revenue	681	659	711	726	713	697
Treasury	38	38	38	39	37	38
All Other	1,399	1,408	1,484	1,438	1,402	1,380
Education						
Department of Education	717	741	779	782	773	737
All Other	191	193	201	200	195	191
Health and Social Services						
Department of Human Services	3,276	3,219	3,284	3,046	2,991	2,925
Division of Medicaid	897	934	940	908	917	942
Department of Mental Health	8,173	8,586	8,978	8,951	8,930	8,685
Department of Rehabilitation Services	1,026	1,060	1,024	964	949	882
All Other	3,399	3,549	3,438	3,329	3,393	3,336
Law, Justice and Public Safety						
Department of Corrections	2,824	2,919	3,090	3,153	3,071	3,072
Department of Public Safety	1,256	1,275	1,338	1,365	1,274	1,199
All Other	2,141	2,130	2,134	1,994	1,883	1,746
Recreation and Resource Development						
Department of Environmental Quality	432	435	448	428	433	426
Department of Wildlife, Fisheries and Parks	582	665	807	710	788	777
Forestry Commission	443	455	475	521	513	479
Mississippi Development Authority	316	324	319	279	282	261
All Other	375	392	402	412	408	395
Regulation of Business and Professions						
Public Service Commission	100	92	97	97	95	92
Oil and Gas Board	34	34	36	33	32	31
All Other	252	262	255	246	242	244
Transportation						
Department of Transportation	3,363	3,448	3,413	3,346	3,267	3,271
Total	32,322	33,205	34,099	33,347	32,951	32,144

Source: Statewide Payroll and Human Resource System, Total Filled Positions

2005	2004	2003	2002
330	327	323	328
708	738	734	734
37	38	39	38
1,413	1,446	1,427	1,438
766	804	797	775
195	202	209	212
2,987	3,179	3,362	3,394
877	580	572	547
9,043	8,695	8,617	8,523
871	893	877	874
3,467	3,495	3,510	3,318
3,051	3,336	3,656	3,675
1,183	1,202	1,004	1,012
1,749	1,741	1,933	1,907
447	472	471	471
826	926	844	867
548	587	592	630
271	312	311	299
412	420	421	429
94	101	156	148
28	30	28	30
239	243	238	234
3,384	3,316	3,300	3,265
32,926	33,083	33,421	33,148

Operating Indicators by Function

Last Ten Fiscal Years

Table 16

	2010	2009	2008	2007
General Government				
Tax returns processed	4,950,000	4,900,000	4,850,000	4,800,000
On-going construction projects	688	656	676	725
Tort claims processed	1,117	538	353	1,081
Unclaimed property claims paid	8,050	7,799	6,175	9,781
Corporate filings processed	104,842	113,217	40,218	30,740
UCC filings processed	280,335	268,108	286,740	289,990
Education				
Average cost per public school student	8,930	$8,895	$8,737	$8,298
Public high school graduates	28,517	24,393	23,935	23,149
Public school teachers, K-12	33,210	33,972	33,613	32,746
Health and Social Services				
Average monthly households receiving food stamps	241,785	204,068	184,779	174,924
Child support collections from non-custodial parents	$292,715,332	$286,696,080	$264,727,366	$242,768,697
Medicaid recipients receiving medical services	621,607	598,476	569,294	547,811
Law, Justice and Public Safety				
Average inmate population in prisons	10,054	10,761	10,856	10,145
Supervised offenders in communities	Not Available	25,910	27,323	29,964
Driver licenses issued	780,000	783,508	907,850	755,000
Recreation and Resource Development				
Tourist registered at welcome centers	2,485,233	2,962,056	2,906,700	2,782,648
Land reforested (acres)	24,239	38,257	44,546	61,075
Hunting and fishing licenses sold	502,024	588,095	584,891	585,466
Overnight accommodations at state parks	548,224	575,502	675,000	674,280
Regulation of Business and Professions				
Utility complaints investigated	7,906	7,701	7,299	6,766
Well inspections by Oil and Gas Board	15,323	24,419	21,227	22,083
Transportation				
Overlays (miles)	397	455	251	146
Replacement of deficit bridges	47	63	55	62

Note: The most current fiscal year available is fiscal year 2010.

Sources:

Mississippi Joint Legislative Budget Committee, Legislative Budget Report
Mississippi Department of Education, Superintendent's Annual Report

2006	2005	2004	2003	2002	2001
4,750,000	4,700,000	4,650,000	4,600,000	4,550,000	4,550,000
708	707	756	863	830	862
726	1,354	2,529	2,312	1,337	1,524
6,670	5,360	41,652	13,683	8,490	4,399
30,441	27,184	29,293	33,779	34,658	17,220
28,317	261,215	231,688	228,930	119,509	127,234
$7,996	$7,208	$6,794	$6,402	$5,908	$5,717
23,691	23,415	23,427	23,703	23,398	23,740
32,129	32,027	31,611	29,071	29,166	31,017
172,814	153,943	149,817	137,793	123,780	113,178
$230,206,702	$218,293,613	$206,596,005	$195,621,754	$191,423,389	$178,496,714
583,523	673,571	730,000	720,304	650,452	587,341
9,669	9,891	10,833	10,639	10,293	10,043
21,736	23,781	22,053	22,342	17,394	16,677
755,000	667,800	753,809	663,893	659,846	659,846
2,551,894	2,862,349	2,937,560	2,870,001	3,133,953	2,994,723
54,886	91,035	57,980	116,681	62,214	129,447
525,000	525,000	533,533	520,000	520,000	573,115
682,525	672,525	765,564	719,637	719,637	650,896
6,749	6,520	6,547	6,172	2,569	4,334
20,879	18,000	19,763	18,920	15,962	25,374
340	421	594	556	620	257
11	29	73	126	128	170

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Cover

Photo is the courtesy of the Mississippi Department of Transportation